Downsizing It doesn't

work

LA's Getty Center

Competing with Mickey Mouse

**Value creation** 

Spotting the winners

TUESDAY MAY 14 1996

### French state to sell further 6% of its Renault stake

The French state is to sell a further 6 per cent of Renault, taking its stake in Europe's third-largest carmaker to below 50 per cent. The symbolic and unexpected move confirms an acceleration in the country's privatisation programme. The announcement emphasised that the sale was only a first step preceding a wider placing, allowing the company "the same capacity for strategic manoeuvre" as its rivals. However, analysts suggested the decision to sell only 6 per cent represented a tacit admission that a wider placing would be difficult in the short term. Page 15: Peugeot signals expansion, Page 8: Stance toughened on Valeo, Page 17

Germans start 'warning' strikes: German postal workers stopped sorting letters and waste collectors left rubbish untouched in "warning" protests against a plan to freeze public sector wages.
Unions threatened more action this week. Page 2

**37,000 walk out in Norway:** Nearly 37,000 Norwegian mechanical engineering workers went on their first strike for 72 years in a dispute that will affect subcontractors who produce components for European car manufacturers. Page 3

Spain to offer 10% of Repsol: The Spanish government is to sell its 10 per cent stake in Repsol, the energy, gas and chemicals group, at the earliest opportunity. Page 15; Repsol boosts profits, Page 16

Bulgaria shuts 67 companies: The Bulgarian government decided to close 67 lossmaking companies with the loss of around 29,000 jobs, following a collapse of confidence in the country's currency. More jobs are to go when other state companies are restructured. Page 14; Biting the bullet, Page 2

ensation for EU beef farmers urged: The European Union's agriculture commissioner Franz Fischler is to propose that the EU pay its farmers Ecu650m (\$800m) in compensation for the drop in beef prices since the start of the crisis over BSE - or mad cow disease. Page 8

Up to eight dead on Everest: Climbers from three expeditions were feared dead in treacherous weather on Everest. Four were from a New Zealandled expedition struck by a blizzard. Three Indian climbers and one from a Taiwanese group are also believed to have died.

Japanese invest in Hollywood: Marubeni, the Japanese trading company, and Toho, the largest Japanese film producer which makes the Japanese series of Godzilla films, announced plans to invest up to Y13hn (\$123.8m) in films produced by the Paramount movie studio. Page 15

Mayhew steps up pressure for ceasefire Sir Patrick Mayhew



(left), the UK Northern reland secretary. stepped up pressure on the IRA to restore its terrorism ceasefire as London considered a plan for a group of churchmen and lawyers to defuse sectarian tensions during this year's marching season in Ulster. Sir Patrick

is also soon likely to announce that former US senator George Mitchell will chair potentially the most important negotiations on the province's future - those dealing with Dublin's role in Northern Ireland's affairs. Page 14

Japan's current account surplus shrank by nearly a quarter in the fiscal year to March, but the rate of decline slowed significantly. Page 6

Smog fight moves to LA gardens: The fight against pollution in Los Angeles moved to the garden as retailers were offered "smog credits" for any petrol-powered lawnmower or leaf blower they scrapped. Page 14; Diesel limits exceeded, Page 8

50 feared drowned in Pakistan: About 50 people were feared drowned when a bus fell from a bridge into an irrigation canal in the southern Pakistani province of Sindh, the state radio reported.

Beijing talks seek to avert trade war: US assistant trade negotiator Lee Sands began talks aimed at averting a trade war over alleged Chinese abuses of intellectual copyright agreements. Page 5

T&N hit by asbestos appeal: T&N, the UK engineering group, admitted that attempts to cap its asbestos liabilities had suffered a setback in the US courts. Page 15

Selection of HK chief faces delay: A senior Chinese official suggested the selection of Hong Kong's first chief executive, the head of the post-colonial administration after next year's handover to China, could be delayed by several months. Page 6

STOCK MARKET MIDICES III GOLD

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# Matra and

BAe agree £1bn joint arms venture

By David Buchan in Paris and Bernard Gray in London

British Aerospace and Matra, the French defence group, yesterday merged their missile businesses in a deal to create a £1bn (\$1.52bn) joint venture which will be Europe's largest guided weapons company.

At the same time Mr Jean-Luc Lagardère, chairman of Matra's parent company, said BAe would join Lagardère group in its bid to buy the Thomson-CSF defence electronics business, due to be privatised by the French government later this year. Lagardère also hinted that

other companies, including Gen-eral Electric Company of the UK and Daimler Benz of Germany were ready to join it in bidding In a separate move yesterday, the French government unveiled a six-year defence programme

designed to scrap conscription and give France smaller but ful-ly-professional armed forces. The programme will involve expenditure of FFr516bn (\$100.38bn) on defence equipment in 1997-2002, much less than proposed in the previous multi-year plan, and will result in cuts French cabinet approves defence cuts ...

or delays in some projects. Lagardère announced the conclusion of more than three years of negotiations to create a new Franco-British company to be called Matra BAe Dynamics.

With 6,000 employees and a £lbn turnover, the company will have a British chairman - Mr John Weston, the current head of BAe Dynamics - and a French chief executive.

between £50m and £110m to compensate the French company for its smaller order book. Each company will have a 50 per cent shareholding in the new venture. Lagardère said BAe had agreed to join its consortium to bid for Thomson-CSF, the defence electronics arm of the Thomson

Mr Noel Forgeard, head of Matra Defence, went further at a Paris press conference to claim that Lord Weinstock of GEC had indicated he was ready "finan-cially and industrially" to join in the Matra bid for Thomson.



French defence minister Charles Millon talks to the press after the French cabinet approved president Jacques Chirac's plan to create smaller, fully professional armed forces by 2002

Mr Forgeard also flourished a public statement from Mr Jurgen Schrempp, the head of Daimler Benz and Dr Manfred Bischoff, the head of its aerospace subsidiary, Dasa. The German industrialists said they wanted Dasa to

"play an active role...in the restructuring of the European aerospace and defence industry" its bid. and that "the talks between Thomson and the Lagardère group are regarded by us as most Both GEC and Daimler Benz

hold just under 3 per cent in

Lagardère, though they also have Thomson's loss-making television ties with Alcatel, the French industrial group which is Lagar-dère's main rival for Thomson.

However, Daimler Benz officials last night denied any knowledge of the letter, and GEC is thought to be prepared to back either Alcatel or Lagardere in

The French government has set this week as the deadline for "declarations of intention" from potential bidders for Thomson.

operation Thomson Multimedia off the government's hands in a purely French deal. Mr Forgeard yesterday said such "a French solution" would mean nothing if Alcatel were to just re-sell Multimedia after privatisation.

Lagardère insisted last year in its missile negotiations with BAe that the joint group must have

the UK contract for a new cruise missile for a dowry, if the marriage was to go through. But the UK defence ministry is not due to Lagardère fears Alcatel may beat it by promising to take under the description of the lagardère fears Alcatel may beat it by promising to take under the description of the lagardère fears Alcatel may be described by the lagarder fear

# Ministers back plan for Airbus restructuring

By Frederick Stüdemann

Ministers from Germany, France, Spain and the UK yesterday approved a controversial plan to turn Airbus Industrie, the European aircraft consortium, into a single corporate entity.

Mr Norbert Lammert, state secretary in the German economics ministry, said the proposed change to the corporate structure "must take place as quickly as possible". However, he said the final form of the company was still to be resolved.

Airbus now shares out work proportionally among its four a common recognition of the shareholders - Daimler-Benz Aerospace (Dasa) of Germany, Aérospatiale of France, Casa of Spain and British Aerospace. This arrangement has led to the

European aircraft consortium to become single corporate entity and broaden its product range

company being less cost efficient than Boeing of the US.

The decision, announced at an expand its product range, most

international air show in Berlin, clears the way for Airbus to become more competitive and broaden its range, officials said. The UK has been the strongest advocate of turning Airbus, the world's second largest aircraft maker, into a limited company. Mr Tim Eggar, the British

industry minister, said: "There is need to reduce the cost base for the company." A single company, he said, would be able to to raise debt and, possibly, equity.

notably into the area of so-called super-Jumbos capable of carrying more than 500 people. Airbus is studying plans to build a 550-seat aircraft, the A3XX, to challenge Boeing's dominance of the large

aircraft market. It is now up to the companies involved to produce plans for a restructuring, the ministers said. Such a decision is expected next month when an Airbus Industrie committee headed by Mr Edzard Reuter, former chairman of Daimler-Benz and head of the Mr Lammert, who chaired yes- Airbus supervisory committee,

publishes his report on the possible restructuring of the company. None of the ministers would say what level of subsidies such a future integrated company might receive. "We are now awaiting a response from Airbus Industrie.

rapidly. The governments will then look at their proposals in detail," Mr Eggar said.

In the past such a restructuring had been opposed by Aérospatiale. But yesterday Mr Bernhard Pons, the French transport minister, said France was now committed to a restructuring. "I admit that Aérospatiale was initially hesitant about restructuring, but now it is firmly con-

# Missile merger will create Europe's largest guided weapons company | Apple to halve PC models in bid to halt sales slide

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By Louise Kehoe in San Jose

Apple Computer, the troubled personal computer industry pio-neer, will halve the number of models it offers as part of a restructuring programme aimed at returning to profit.

Mr Gil Amelio, who took over as chairman three months ago after Mr Michael Spindler was ousted, said that Apple had to "get back to work".

"Apple is at a crossroads. We can return to prosperity or begin a long slow decline into irrele-vancy. The difference will depend on how well the organisation comes together behind united goals," Mr Amelio, former chief executive of National Semiconductor, said.

The group last month reported a \$740m loss in its second quarter to March 29, on sales down 18 per cent to \$2.2bn. Last week, it noti-fied retailers of flaws in several of its top selling models and offered to repair tens of thou-sands of computers free of charge and replace others.

Apple's organisation had been "too fuzzy", Mr Amelio said. He intends to create four hardware divisions - each responsible for its own financial performance and software, service and Inter-

net divisions. A new division would be dedicated to "building bridges" between Apple's Macintosh and other types of computers.

Apple would halve the number of Macintosh models it offers, to about 40, over the next year. Six versions of the Macintosh software operating system will be consolidated into one.

The most radical change, already indicated, would se Apple "aggressively license" Mac-intosh software to other computer manufacturers.

Mr Amelio said Apple was working with International Business Machines on the develop-ment of a Macintosh compatible laptop computer.

This could represent a breakthrough in Apple's efforts to persuade leading PC manufacturers to adopt Macintosh software. He acknowledged that Apple needed the continued support of software

Continued on Page 14

# Irish auditors win right to challenge 300 accountants

By Jim Kelly in London

Auditors in Ireland yesterday won a judicial review of a govern-ment decision to let a previously unregistered body of 300 accountants carry out company audits. Lawyers for leading accoun-

tancy bodies told the High Court in Dublin that the tiny Institute of Incorporate Public Accountants could not regulate its members properly as its last published accounts showed assets of only £196 (\$297).

The action, by Ireland's four leading accountancy bodies who represent 15,000 qualified professionals, followed a decision by Mr Pat Rabbitte, minister for commerce and technology, to grant audit registration status to the IIPA.

The government's response will be closely watched by accountants throughout Europe, who could face extra competition from the body.

Leading accountants say the newly registered auditors could

practise elsewhere in the EU if they passed national "top up" examinations.

embers to do audit work for the first time. Accountants do not have to be qualified to practise, but auditors

body before they can sign off a company's accounts. Mr Niall Deasy, president of the Institute of Chartered Accountants in Ireland, told members in a letter that he was "astonished" by Mr Rabbitte's decision, which had been "made

without any prior consultation." Mr Brendan Dennehy, vice-president of the IIPA, described the attitude of the chartered body as "nothing short of arrogance and pomposity. It's cartel situation. It's the old boys club."
"As far as regulation goes we

who practises in Limerick. He added that the finances of the IIPA would be transformed The registration allows IIPA by the decision to grant audit registration status as "people have been sitting on the fence" before paying subscriptions. He said that as a result of the decision the IIPA's finances must be certified by a registered

> Mr Dennehy said the IIPA was founded in 1981 and had applied for the right to audit companies 15 years ago.

would improve by more than

He said the institute's exams had been vetted by the National Council of Education Awards and were "ahead of" those sat by chartered accountants.

The Department of Enterprise and Employment said the application of the IIPA for audit status was properly vetted. The last body to receive audit registration was the Certified Public Accountants in 1964.

A spokesman for the department said: "The decision will be

were among the first bodies in Ireland to bring in outside people to our disciplinary committees," added Mr Dennehy, CONTENTS FT/SP-A Wild Indices Foreign Exchanges .... LONGON - LEEDS - PARIS - FRANKFURT - STOCKHOLM - MADRID - BEN YORK - LOS AMGELES - TOKYO - HONG KONG



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# Chirac aims to create professional, more cost-efficient model armed forces

# French cabinet approves defence cuts

By David Buchan in Paris

The French cabinet yesterday approved and sent to parliament President Jacques Chirac's plan to create smaller, fully professional armed forces by the year 2002, using more cost-efficient weaponry.

With the phasing out of con-scription, the 1997-2002 military programme law will see the French army shrink by 36 per cent to 171,000 personnel, the navy by 19 per cent to 56,500 and the air force by 24 per cent to 71.100. These numbers could be slightly higher if parliament decides to retain the option of a voluntary national service.

The international context of this is France's belated adjustment to the end of the Cold War and to the realisation that it no longer needs large numbers of soldiers to fight a potential war in central Europe, but rather a capacity to project a force to overseas trouble spots, something which Mr Chirac considers it woefully lacks at present.
The defence review also co-

incides with France's desire to return to near-full involvement in an Atlantic alliance reformed to give European views and interests greater

Though the defence plans go as far as 2015, the shape of Mr Chirac's new model armies and

stantially achieved by 2002, the end of his current presidential

The 1997-2002 plan caps annual spending at FFr185bn (\$36bn) in 1995 francs, with an annual limit of FFr86bn on equipment spending. This is about FFr20bn a year less than was planned for equipment in the previous 1995-2000 programme, set out in 1994, but cuts since then make the decline less dramatic in prac-

The new law, which aims for 30 per cent savings in defence procurement over the life of the six-year programme, will hit a number of programmes. some in collaboration with European partners.

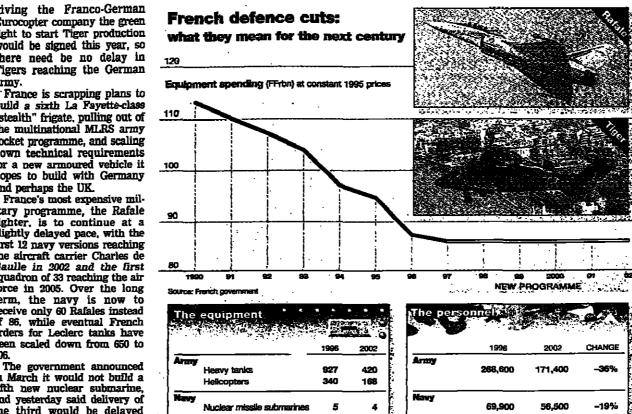
France has already signalled it wants a change in the proj-ect to develop with several other European partners a new military transport, the Future Large Aircraft. The new law contains only FFr650m for a 'new generation" air transport to buy some of these notional aircraft, whose development France now believes should be done by the Airbus commercial aircraft consortium, not by

French orders for the Franco-German Tiger attack helicopter are to be maintained at 25 over 1997-2002, but the first delivery to the army is to be delayed by two years. French officials claimed the contract giving the Franco-German Eurocopter company the green light to start Tiger production would be signed this year, so there need be no delay in Tigers reaching the German

France is scrapping plans to build a sixth La Fayette-class "stealth" frigate, pulling out of the multinational MLRS army rocket programme, and scaling down technical requirements for a new armoured vehicle it hopes to build with Germany and perhaps the UK.

itary programme, the Rafale fighter, is to continue at a slightly delayed pace, with the first 12 navy versions reaching the aircraft carrier Charles de Gaulle in 2002 and the first squadron of 33 reaching the air force in 2005. Over the long term, the navy is now to receive only 60 Rafales instead of 86, while eventual French orders for Leclerc tanks have been scaled down from 650 to

The government announced in March it would not build a fifth new nuclear submarine, and yesterday said delivery of the third would be delayed until 2002. Mr Chirac has already announced the dismantling of land-based nuclear missiles, with France's future deterrent depending on missiles launched from subma-



# Chirac looks for stronger UK links

reach even a 4 per cent capital

adequacy level, with western

banks regarding 8 per cent as

the minimum needed", in the

be severed is the link between

this mountain of bad debt and

the losses that are still being

run up by the beleaguered

According to research by

Merrill Lynch, "these non-per-

forming loans are in turn sup-

porting unprofitable enter-prises, which would have been made bankrupt under a 'nor-

State enterprise losses have been equivalent to between 13

and 20 per cent of gross domes-

tic product during each of the

The losses result in part

from alleged corruption and

from "profit-shifting" - the

transfer of profits from state

enterprises to small private

companies.
"Profit shifting typically

occurs when a private-sector

company provides inputs to a

state enterprise and sells the final product at prices that

have been designed to ensure a

profit for the private company

and a loss for the state enterprise," claims Merrill

For the past six years Bul-

garian governments have shied

away from undertaking painful

economic reforms. Bulgaria

has lagged behind the rest of

the former Communist coun-

tries of central and east Europe

in privatisation and it has been

largely shunned by foreign

As foreign exchange reserves

dwindle and a bulge of debt

payments looms in the third

quarter, it must finally bite the

Theodor Troev adds from

Sofia: Over the weekend, Mr

Zhan Videnov, the prime

minister, stressed the urgency

of reform while being careful to stress the importance of measures for

"neutralising the social cost of

Local media remained scepti-

cal "If Mr Videnov does not

manage to overcome this con-

tradiction, he will be like a

driver who is pressing the

brakes and the accelerator at

the same time while the car is

falling down the precipice,"

reform".

words of one observer.

state-sector enterprises.

mal' banking system".

past three years.

By David Buchan in Paris

President Jacques Chirac wants to forge stronger ties with Britain, believing there is nothing in the nature of France's relations with the UK that makes it necessarily less special than

its relationship with Germany.
On the eve of his arrival in the UK today for a four-day state visit, the French president said in a briefing that he wanted to build on the two countries' political-military partnership in Bosnia and in the current reform of

He said he was very favourably dis-posed, for instance, to the UK joining the European armaments agency planned by Paris and Bonn. The president said he detected a

slight lessening of opposition in Britain to European economic and

has arrived for Bulgaria.

The huge losses run up

by state companies and the vir-

tual collarse of the banking

system are finally pushing the

Socialist government into

beginning the painful reforms

that have been avoided ever

The drastic increase in inter-

the beleaguered currency, the

lev - the central bank interest

rate was raised from 67 per

cent to 108 per cent last Friday

was only the latest and most

dramatic symptom of the crisis

that goes to the core of the

The lev has lost about a

third of its value against the dollar this year, though it

recovered slightly to around

105 lev to the dollar yesterday

with the prop of the emergency

rise in interest rates. It had

from 70.70 at the beginning of

The queues outside the

banks in Sofia and in other

cities were a stark reminder

yesterday of the challenge fac-

ing the government, as it

entered the second week of

intense negotiations with

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bullet over reforms

Collapsing

currency and

massive losses

run up by state

government's

hand at last.

**Kevin Done** 

in London

officials of the International

Monetary Fund and the World

The talks are focusing on

reform measures to rehabili-

tate the desperately under-cap-

italised banks, to restructure

hundreds of heavily loss-mak-

ing state enterprises and speed

The banking system is suf-

fering severe stress, with about

74 per cent of its assets repre-

sented by non-performing

The mountain of bad debt

totalling around 343bn leva

(\$5.1bn at 1995 exchange rates)

at the end of last year is equiv-

alent to around 40 per cent of

The bad debts are

concentrated in some 10 state

banks, which alone have non-

performing loans of 258bn leva

out of their total portfolio of

318bn leva, according to esti-

mates by western financial offi-

Some 37 private banks have

"When a western bank has a

ratio of non-performing loans

to total assets of 10 per cent,

then it is considered in very

bad shape. In Bulgaria, more

than 70 per cent of bank loans

are non-performing," one west-ern banker said yesterday.

It is estimated that it will

take between five and 10 years

to bring Bulgarian banks up to

even minimum capital ade-

Given their present negative

worth "it could cost \$1.5bn to said a Sofia newspaper.

quacy ratios.

bad debts of 85.1bm leva in a

portfolio of 146bn leva.

gross domestic product.

the pace of privatisation.

writes

Bank.

companies have

monetary union. Given the UK's treaty right to opt out of Emu, while its rigorous financial management put it within reach of the Maastricht criteria, Britain would have a free hand in deciding whether to join Emu. However, he believed it would be a foundermember of the single currency.

Strong ties between France, Germany and the UK were indispensable, he said. To some extent, France, with its highly developed relationship with Germany and its belief in a British role in Europe, held an intermediate position between Bonn and London. While France had no intention of trying to mediate, Mr Chirac stressed his recent role in helping Chancellor Helmut Kohl and Mr John Major, the UK prime minister, to understand each other's posi-

After the second world war, France

needed to forge a special relationship with Germany, Mr Chirac said. There was almost an obligation on every Franco-German summit to produce positive results.

Combat sirror

He hoped France and the UK would come to feel the same obligation to achieve results in their meetings. Tomorrow, the most substantive day of the president's state visit, Mr Chirac will have talks with Mr Major before addressing parliament and meeting business leaders at a Bank of England lunch. The president said he would be happy to see beef on that or any other menu he was offered in the UK.

Mr Chirac minimised his differences on social policy with Mr Major, who he said had welcomed the recent French memorandum on European social pol-But he welcomed the Labour paricy. But he welcomed the Labour par-ty's commitment to signing the Euro-

pean social charter. Mr Tony Blair, the Labour party, and Mr Paddy Ashdown, the Liberal Democrat leader, are to call on Mr Chirac today at Buckingham

360

101

Mr Chirac was unrepentant over citing Britain's fully professional armed forces as a model for his plan to phase out military conscription in France This might have annoyed a few French generals, he said, but the UK was able to project more force than France at

He expressed appreciation of British public support for his controversial nuclear tests. The UK and France have for several years held a shadowy dialogue on nuclear weapons doctrine, and Mr Chirac said he was in theory ready to see the two countries discuss every aspect of nuclear deterrence.

# Bulgaria forced to bite Greece avoids EU clash over aid to Turkey

By Bruce Clark in Brussels

The Gordian knot that must Greece stepped back from a bitter confrontation with its European Union partners yesterday by agreeing that an aid programme for 12 Mediterranean countries, including Turkey, should be referred to the

European parliament. But Mr Theodore Pangalos, Greek foreign minister, insisted there was no question of Athens approving direct EU aid to Turkey until Ankara agreed to legal arbitration over the status of an Aegean islet.

In a compromise aimed at heading off a complete paralysis of the EU's economic policy in the Middle East and North Africa, Mr Pangalos abstained in a vote on referring the 12nation Meda aid programme to

Strasbourg.
This move will keep discussion going over the programme which is worth at least Ecu3.4bn (\$4.2bn) between now and 1999, and avoid embarrassment for the EU in its dealings with the Arab and North Afri-

can world. But Athens will reserve the right to block Turkey's share of the programme, as well as Ecu375m in direct credits to Ankara, as long as territorial issues remain unresolved.

"Greece has made a positive gesture which has well received by its partners, and by countries in the region affected," said Mr Hervé de Charette, the French foreign minister, in a reference to the abstention. Mr Pangalos said Greece's

future stance would hinge in part on the outcome of his next meeting with Mr Emre Gonensay, on the margins of a Nato foreign ministers' meeting in Berlin in June. At their previous meeting in Bucharest, Mr Pangalos said, the Turkish minister had been reassuring on some issues but he had also appeared to broaden Turkish demands by asserting that some Aegean islets belonged to

a <u>"grey zone"</u>. The Greek minister insisted that a ministerial meeting between the EU and Cyprus would go ahead today without any linkage with the Turkish bilateral dispute and prospects for Cyprus joining the EU.

European Union foreign ministers yesterday gave a cautious welcome to the latest moves by Switzerland in its negotiations on a new relationship with the EU, but said some important hurdles remained to be cleared, writes

Bruce Clark.
They "noted with interest" Swiss proposals but added that problems of varying degrees of seriousness" were outstanding, particularly over free movement of people and

Switzerland agreed last month to start negotiations which could lead to the abolition of immigration quotes for KII citizens

On another sensitive issue, Switzerland has offered to abolish the 28-tonne limit on trucks passing through its territory and rely on fiscal measures as the main instrument to regulate road

Swiss officials had urged the EU to send a positive political signal, on grounds that Swiss voters needed reassurance if any new accord was to have a chance of winning acceptance.

"Such a link is completely unacceptable, because Cynrus is an independent country. which has been the victim of Turkish occupation." Mr Pangalos said. The ministers also consid-

ered the situation in former Yugoslavia, especially the mounting tension in the EUadministered city of Mostar, where the Moslem community in the eastern sector is refusing to co-operate with forthcoming elections.

However, the ministers stopped short of deciding to postpone the ballot, now scheduled for the end of May, and pledged instead to follow closely the guidance of the city's EU administration. Failure in Mostar, where

Croats and Moslems fought a bitter war in 1993, would be a blow both to the Bosnian peace process and to the credibility of the EU, which has often cited supervision of the city as one of the main successes of the EU's foreign policy.

# **Battle of** baguette pits bakers against big battalions

71,100

93,600

By Andrew Jack

The French prime minister, Mr Alain Juppe, yesterday kicked off a three-day national celebration of his country's bread. in an initiative designed to support the work of traditional bakers in the face of growing competition from factory-produced baguettes.

The baguette has become a centrepiece in the struggle between small and large shopkeepers, both as a symbol of traditional French food and because it was one of the first products to be liberalised when price controls were relaxed in the 1970s, making it an early battleground for predatory

Mr Juppé signed a charter for developing artisan bakeries which will provide finance for modernisation and train

apprentices.
The charter will also forbid bakers who do not make fresh bread according to a five-step process to go on describing themselves as boulangers.
The move at the start of the

fête du pain marks the latest in a series of government efforts to be seen to be supportive of small shopkeepers and producers in the face of what they perceive as an unacceptably strong growth of hypermarkets in the past few years. Large retailers are accused

of cutting prices to drive out competition, and using frozen dough and other industrial methods in the preparation of the baguettes they sell. President Jacques Chirac

launched a renewed attack against them this month, saying their contribution to France had been "extremely negative", and accusing them of helping to undermine rural life. The president has sought to

associate himself with the plight of small businesses and artisans.

Mr Juppe said yesterday the government's new competition law, currently before parlia-ment, would end "media operations such as the onefranc baguette", priced at substantially less than its production costs. Large retailers had some-

times indulged in commercial practices which had "strongly prejudiced employment, the environment and simply our quality of social life", he declared.

The large retailers are not allowing the celebrations to be monopolised by their smaller rivals.

Carrefour, one of France's largest hypermarket chains. launched an advertising campaign yesterday stressing its participation in the celebrations and stressing the quality and variety of bread produced by its bakers.

Mr Daniel Bernard, the group's chairman, has long argued that it is being used as a scapegoat, and the quality of its products is often higher than those produced by local bakers and other manufacturEUROPEAN NEWS DIGEST

# German unions in strike move

Warning strikes broke out across Germany yesterday as postal workers stopped sorting letters and waste collectors left rubbish untouched in protest against the attempt by the government and public sector employers to freeze wages and cut social security benefits.

Trade union leaders said the action would be stepped up this week to include hospitals, airports and other important services if pay talks which resumed yesterday did not lead to a better offer for the country's 3.2m public sector employees. Unions, headed by the big OTV public sector union, are claiming 4.5 per cent.

The employers, whose negotiating team is headed by Mr Manfred Kanther, the interior minister, have yet to make a firm offer. A two-year wage freeze, accompanied by reductions in sickness pay and increased working hours, is a cornerstone of the federal government's comprehensive budget savings 語を言葉を正式というとはないか あれない 新文化

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package. Yesterday's warning strikes were scattered across the country, involving brief industrial action lasting several hours. Postal employees in Munich, Hamburg, Stuttgart and other cities halted mail deliveries, and other public sector workers also stopped work for short periods. Banking unions, which have put in a 5.5 per cent claim, also threatened warning strikes if employers did not drop demands for low pay increases and longer working hours, including

### Yilmaz under coalition fire

The coalition partners of Mr Mesut Yilmaz, the Turkish prints minister, yesterday accused him of sabotaging their alliance by revealing state secrets to the press in the latest corruption row to hit the government.

Mr Yalim Erez, the trade and industry minister, claimed that Mr Yilmaz, or a close aide, had leaked a document that showed that Mrs Tansu Ciller, the former premier, had withdrawn \$6.5m from a slush fund for security operations before she left office in March. "Only the prime minister or his adviser has access to this kind of secret document. It couldn't have come from a third person," Mr Erez said.

Mrs Ciller has acknowledged delving into the slush fund to

finance secret security operations, which she has refused to divulge. Mr Yilmaz and scores of MPs from his Motherland party last week angered Mrs Ciller's True Path party by voting for an opposition motion to set up a parliamentary probe into separate corruption accusations against her. Reuter, Ankaro

### No extradition for Dassault

The French government will respond to requests for information from the Belgian judicial authorities on Mr Serge Dassault, the chairman of Dassault Aviation, but will not extradite him, a government spokesman said yesterday. "We have signed and we will apply a convention of mutual European judicial assistance. . . The Belgian authorities are asking for information; naturally replies will be made directly," he said after a cabinet meeting.

A Belgian judge issued an international arrest warrant for Mr Dassault, after the businessman earlier this month refused to go to Belgium to answer questions in a corruption inquiry. The Belgian authorities are investigating alleged bribes relating to a contract to modernise its F16 fighter aircraft in the late 1980s.

Mr Dassault said he had not gone to Belgium because the country lacked certain basic rights, and there had been precedents weighing against French businessmen. He said he was ready to give information from France.

### Basque party faces prosecution

Spain's director of public prosecutions is looking into action against the Basque political party Herri Batasuna (Popular Unity), which is linked to the illegal Eta organisation. The move follows publication of an internal party document calling on Eta to use "the most potent means" to back its demands and rejecting the idea of a truce until the government sat down to negotiate.

The document, published in a Bilbao newspaper, also attacked the moderate Basque Nationalist party for agreeing to give parliamentary support to the new centre-right government in Madrid in what it called "an unconditional alliance with the [Spanish] state".

The justice department in the Basque country said it, too, would investigate the case to see if the document constituted incitement to terrorism. One of the main Herri Batasuna leaders. Mr Jon Idigoras, was arrested in the run-up to the March 3 general election over a party campaign video featuring masked Eta members. David White, Madrid

### Yugoslav bank chief defiant

Mr Dragoslav Avramovic, governor of the Yugoslav central bank, attacked the government's privatisation law yesterday, and demanded to be put back in charge of talks with the International Monetary Fund. In a speech to 2,000 factory workers demonstrating in Belgrade for jobs, he warned that government pressure on the bank to print money threatened Yugoslavia – now comprising Serbia and Montenegro – with inflationary "catastrophe within two weeks". Opposition leaders and Mr Avramovic's supporters in the bank fear the Socialist government will try to sack him at a federal parliament session on Tuesday when the privatisation law will

Vowing not to bow to pressure from key ministers to print money to fund the economy while the terms of IMF membership were dealt with, Mr Avramovic said: "Any printing of money would destroy us. . . In two weeks we would return to 1993 when the sky fell on the earth and when people worked for two D-Marks."

### Moldova gets tough over taxes

Moldova may seize the property of citizens failing to pay their taxes on time under a new law to counter tax evasion, the finance ministry said. Like many former Soviet republics, Moldova is suffering from a failure to receive a large part of budgeted taxes. The finance ministry said at the weekend its tax inspectors would now get tough with people owing money to the government, under a law which came into force last

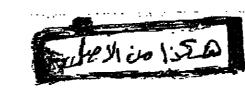
"The new law envisages measures including the confiscation of the property of people who do not make timely payments to the budget," said Mr Ion Prisacari, the chief tax inspector. The government introduced the law after tax arrears reached \$129m in the first quarter of 1996. People who fail to pay taxes within 15 days will be given notice in writing to clear their debts within 30 days.

Belgium's prime minister, Mr Jean-Luc Dehaene, won a confidence vote in parliament over plans to make extra savings in the 1996 budget and reform the social security system. Mr Dehaene decided to put his budget policy to a vote after failing to win across-the-board support from trade unions and business aimed at building a national consensus. ■ Dutch consumer prices in April rose 0.1 per cent from March and were up 2 per cent year-on-year. In March, the index was up 0.9 per cent from February and up 2.1 per cent from March 1995. In April 1995, the index rose 0.2 per cent from the previous month and was up 2.3 per cent from a year earlier.

■ Consumer prices in the Czech Republic increased by 4.1 per cent in the first four months of the year, the country's statistics office reported yesterday. Consumer prices in April rose by 0.6 per cent from March and by 8.5 per cent from April

■ Ukraine posted a trade deficit of \$553.3m in the first three months of 1996 compared to a deficit of \$280m for the same period of last year. Exports in the January-March period totalled \$2.5bn, and imports \$3.1bn ■ Slovakia's unemployment rate dropped to 11.7 per cent in

the first quarter of 1996 from 14 per cent in the first three



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The mandate had been held up by objections from some member states, notably France, that the EU was about to enter into another wide-ranging free trade agree-

The EU's policy on FTAs has stirred controversy recently, with foreign ministers delaying for five months the terms of a deal with South Africa because of fears that the proposed FTA threatened EU agricultural interests.

EU agricultural ministers iast week called for a more cautious approach towards the seation of FTAs.

The mandate for a deal with Mexico allows for negotiations on a sector-by-sector basis. But decisions on opening up the agriculture sector will have to be agreed unanimously by the EU ministers, while other sectors can be agreed by a qualified majority.

Britain, Sweden and Spain rejected an earlier proposal which stipulated that deals on all sectors had to be agreed unanimously. British officials said the fear was that Mexico would reject the terms of such

Mr Michel Barnier, the French European Affairs minister, said the EU "won't go to free trade but we can go very close". Mr Hervé de Charette, the French foreign minister, said the aim was for the "progressive liberalisation of exchanges between the two

Mr Klaus Kinkel, German foreign minister, said a deal was very important for the EU because Mexico was an important industrial partner. "The EU has every reason to take responsibility in this matter," he said.

# Beijing talks seek to avert sanctions

By Tony Walker in Belling

Mr Lee Sands, the US assistant trade negotiator, began talks in Beijing yesterday aimed at averting a trade war over alleged widespread Chinese abuses of intellectual copyright agreements. But there was no indication of progress in the discussions, which were expected to continue for several

days. The US has said it will target \$2bn-worth of Chinese exports with punitive sanctions if China fails to live up to undertakings to curb counterfeiting ment products. Beijing has

threatened to retaliate. The US has set a 30-day deadline from May 15 for compli-ance. This follows a similar pattern to a dispute last year, which resulted in an 11th-hour

compromise. US officials and business representatives expect sanctions to be averted again this year but they also recognise that difficult Sino-US relations on a range of issues, including Taiwan and human rights, are complicating matters.

China continues to deny vig orously it has been negligent in enforcing a February 1995 agreement to curb counterfeiting of such items as compact software. "China has fully implemented the Sino-US intel lectual property rights (IPR) agreement signed last year." the official Xinhua news

agency asserted last night.

Quoting Mr Wang Huapeng, director of the copyright department of the National Copyright Administration, Xinhua said: "China has made breakthroughs in nationwide crackdowns on piracy and has already contained the oncerampant infringement of IPR in some areas.'

But US officials say the situation has worsened since last year, with Chinese factories

continuing to produce millions of pirate compact discs. CD-Roms and computer software. The US entertainment and that counterfeiting cost it \$2.3bn in 1995.

Mr Sands is known to believe China will not live up to undertakings to curb intellectual property rights abuses without

China claims to have closed at least six pirate CD produc-tion lines recently, but US officials are sceptical. They want to see more evidence of Chinese efforts to combat piracy before lifting the sanctions



Lee Sands: doubts intellectual property rights pledges

# High-tech diagnosis for Cuba's ills

Canadians will help Havana to export biotechnology products, writes Pascal Fletcher

descended on Cuba after the collapse of the former Soviet Union paralysed many factories, sharply depressed living standards and forced bicycles and their tractors for oxen.

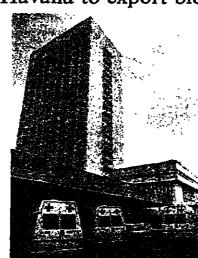
But it did not stop President Fidel Castro's government from forging ahead with an ambitious - some critics would say unrealistic - programme to build a hard-currency export sector in high-tech medical and biotechnology products.

Now a Canadian company, York Medical, has joined in to help develop and sell Cuban biotechnology products in Canada and Europe, an initiative its executives believe will be unaffected by recent US legislation aimed at discouraging foreign investment on the island.

Cuba has granted the Toronto company licences to test and market human and veterinary pharmaceuticals produced by the island's state-run biotechnology industry, which foreign experts describe as one of the most scientifically advanced in the developing world. The deal includes transfer of technol-

ogy, clinical trials in specialised Canadian biotechnology centres and training and participation of Cubans in the development, marketing and selling of the products. "This is a whole package." York Medical's chairman, Mr David Allan, said.

Blessed with the Mr Castro's encouragement, Cuba's biotechnology sector has received hundreds of millions of dollars of state funding during the last decade. Cuban research centres have developed products ranging from antimeningitis and hepatitis vaccines to "bloodclot busters" and diagnostic kits. This has led to a striking anomaly:



Hospital in Havana: Cuba is pushing

Cuba is far from being self-sufficient in food but it is a leading producer of interferons and monoclonal antibodies. But despite earlier marketing deals with foreign companies, the Cuban biotechnology sector appears to have had only limited success in generating a viable, sustained export business.

The main known exports up to now have been sales, mostly in Latin America, of an anti-meningococcal meningitis Group B vaccine and a cholesterollowering drug, PPG. Cuban-produced interferons are sold to China. According to Cuban figures, revenues from Cuban pharmaceutical and biotechnology exports now total more than US\$100m a year and have earned more than US\$500m since 1989.

York Medical hopes to provide Cuba with an entry to the biotechnology markets of the developed world. It aims to tackle major weaknesses such as the Cuban lack of experience in key areas, including quality control, regulatory licensing, financing and above all mar-

keting and selling. The Cuban products have sometimes had difficulty getting independent validation and have faced widespread scepticism. "If you're a doctor in Europe, you're not immediately going to try something from Cuba, if someone's life is at risk," one foreign expert said.

Nevertheless, Cuba's biotechnology research has attracted interest from European and US scientists and even from such big US pharmaceutical companies as Merck, Eli Lilly and Bristol-Myers Squibb, although the US embargo on Cuba rules out sales to the

But Cuba's biggest challenge is to get its products to market, not least because, as one investment analyst put it, biotechnology development requires "incredibly deep pockets".

"A very hard look has to be taken at all of the products to assess what their real value is in the short-term," said Mr Peter Scott, chairman of Beta Gran Caribe, an Anglo-Spanish managed investment company specialising in Cuba. Beta is negotiating investments in at last one Cuban blotechnology

Mr Allan said York Medical planned to develop some 15 Cuban products. Clinical trials had already commenced on a first group, described as "low risk, early to market" items. These included Heberquinasa, which dissolves blood clots; an epidermal

tumours; Diramic, an antibiotics testing system; Dermofural, a sugar-cane extract used as an anti-bacterial and anti-fungal cream; and Udertan, pro-duced from red mangroves and used to disinfect cow udders. Mr Allan said five separate 50-50 joint

anti-bodies to diagnose and treat

ventures had been formed for separate products, each linking York Medical to

The company did not believe its initiative would be affected by US measures in March to tighten the US economic embargo against Cuba. The action and sanctions against foreign companies and their executives who "traffic" in formerly US-owned property expropriated after the 1959 Cuban Revo-

"The point is that the US bill is aimed at those dealing in confiscated property. In our case, the intellectual properties and scientific institutions we are dealing with have only come into existence over the last decade or so," Mr Allan

York Medical had received support and financing from the Canadian Inter-national Development Agency and the Medical Research Council of Canada. "We wrapped ourselves in the Canadian ilag," Mr Allan said.

The Canadian government strongly opposes the latest US sanctions on York Medical groups a number of pri-

vate investors, including the government of Canada's Saskatchewan Province, where some of the clinical trials are being held. Additional funds for the trials would be raised through successive waves of equity financing, or, if growth factor incorporating monoclonal necessary, a public issue.

WORLD TRADE NEWS DIGEST

# Mobil to expand Saudi venture

Mobil of the US and Saudi Basic Industries Corporation (Sabic) are to spend \$2hn expanding their petrochemicals joint venture at Yanbu, on the Red Sea coast of Saudi Arabia. Output will more than double, making Yanbu one of the largest petrochemical complexes in the world.

This will be the first big expansion of the project since it began production in 1996. Mobil, which will contribute \$1bn of the cost, claimed the expansion would make Yanbu the lowest cost ethylene producer in the world.

The partners will add a second ethylene cracker, doubling ethylene output to L6m tonnes. The new plant will convert ethylene more efficiently, producing 30 per cent more derivative products than the old. Output will consist of 535,000 tonnes of polyethylene, 410,000 tonnes of ethylene glycol and 260,000 tonnes of polypropylene. Construction of the new plant is expected to start next year. Tony Jackson, New York

### TRW sues rival over satellite

TRW, the US aerospace group awarded patent protection for its design of a satellite-based global phone system last year, yesterday filed a lawsuit against ICO Global Communications. a subsidiary of the London-based Inmarsat organisation.

The suit seeks an injunction against ICO Global's development of its proposed Inmarsat-P satellite-based personal communications system, alleging the system infringes TRW's natent

TRW is the system contractor for Odyssey, a competing \$8bn worldwide satellite-based cellular system due to begin operations in 1999. The other main competitor is Iridium, a consortium headed by Motorola of the US, which is already

building its system. The patent at the heart of the TRW suit relates to a method for providing worldwide satellite-based cellular communications using satellites in a medium-earth orbit, low-powered pocket telephones, and "gateways" to terrestrial

### Nestlé stake in Thai group

Nestlé, the Swiss food group, has agreed in principle to buy a majority stake in Danish Dairy Industries, one of Thailand's largest dairy products producers and distributors.

Terms were not disclosed but under the terms of the preliminary deal, Nestlé will take a 60 per cent stake in Danish Dairy, with the remaining 40 per cent staying in the hands of the Thai Martin Group, led by Mr Vahsi Purswani, a

Nestle said the deal would be completed shortly and become effective on July 1.

Danish Dairy is strong in the food service sector, supplying many of Thailand's fast-food chains. Nestle has a large 

### China and Taiwan in jet project

China and Taiwan are to join a major multinational project to build 100-seat regional passenger jets, officials said yesterday.

The US\$2bn project will be finalised next month after China elects a partner - either Boeing of the US or Air International Regional, an Anglo-French aircraft maker, said Mr Jack Sun, chairman of Taiwan Aerospace.

Aviation Industries of China, which devised the project two years ago, would have about a 45 per cent stake, Mr Sun told reporters. A Singapore group would take 20 per cent, Taiwan up to 10 per cent, and the western partner the rest. AP, Taiper

# y he can look forward to living twice as long as he would have a century ago.

Today, no one thinks twice about somebody living to the ripe old age of 80. A hundred years ago, however, it was a rarity.

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But just as typhoid, cholera and bacterial infections endangered lives in the past, diseases such as AIDS, cancer and other killers threaten us today.

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# Japan's current account surplus declines

Japan's enhanced appetite for imports caused its current account surplus to contract by nearly a quarter in the fiscal year to March, the third year of decline and a factor in continued yen weakness.

The balance of payments gap shrank by 23.8 per cent to Y9,460bn (\$90bn), the lowest for six years, the finance ministry announced yesterday. But the rate of decline slowed significantly in March, when the surplus reached Y1,260bn, down a mere 8.5 per cent on the same month last year.

The fall of more than 30 per cent in the yen's value against the dollar during the fiscal year has made nary official data. Some econo-

imports to Japan more expen-

If the exchange rate holds at this level, around Y105 to the dollar, the rate of improvement in the surplus will continue to slow, predicted Mr Richard Koo, senior economist at Nomura Research Institute.

No economists, however, believe that imports will go into reverse because a substantial proportion of imported goods are made by Japanese companies which have set up abroad to service the domestic market from a cheaper base. Indeed, Japanese trade

dipped marginally into deficit in the first 20 days of April. since when it has returned to surplus, according to prelimimists, such as Mr Masaru Tak- even after the yen's fall against agi, chief economist at Fuji Research Institute, argue industrial expatriates have become so numerous that imports will continue to grow regardless of yen weakness.

The full-year decline was in line with private sector economists' expectations but brought the surplus well below the government's own forecast of Y10,000bn.

Within last year's current account, Japan recorded a Y5,722bn deficit in services, a 13.5 per cent increase on the previous year, driven by a record Y3,299bn deficit on the tourism account.

Japanese travellers continue to find foreign holidays far cheaper than domestic breaks,

the dollar since last summer. The surplus in manufactured goods, meanwhile, fell by 17.5 per cent to Y11,629bn, the third vear of decline.

A 16.7 per cent rise in imports to a record Y29,607bn easily outstripped last year's 4.4 per cent rise in exports. Manufactured goods repre-

sented a record 60 per cent of total imports, three times the level of a decade ago. Computers, semiconductors and cars were among the fastest growing imports last year, said the ministry. Separately, the ministry

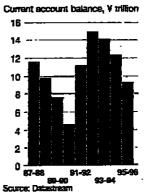
revealed yesterday that foreign investors bought a record net the last fiscal year, both cause of and contributor to the rise in Tokyo share prices. In the final month, March,

they bought a net Y1,099bn, the second largest monthly purchase recorded. Japanese investors, mean-

while, have been recent sellers of foreign equities, following the usual end of year practice of taking investment profits to supplement their own companies' profits. Japanese investors sold

Y119.9bn of foreign shares in March, down slightly from Y145.9bn in the previous month, said the ministry.

Overall, the net capital and financial account showed a Y282bn outflow in March, after a Y1,300bn net inflow in February. This came as a result of a



smaller rise in loans made by foreign banks to Japan and an increase in lending by Japa-

# Sharma faces crucial choice

By Shiraz Sidhva in New Delhi

All eyes are on Indian President Shankar Dayal Sharma. The 77-year-old scholar and veteran of Congress party governments is expected to decide by the weekend which political grouping should be invited to form India's next government in the wake of the general election that has delivered a hung par-

He faces a difficult task, say constitutional experts. That is because there are no clear-cut constitutional guidelines about the role of the president in a situation when no single party has won a governing majority in the lower house. In effect, he is bound only by conventional and not by constituional propriety to invite the largest

There have been coalition governments before - in 1969 and 1978 Mrs Indira Gandhi and Mr Charan Singh were forced to form coalitions. But the most recent crisis when a president was required to intervene was in the 1989 election, when the Congress party of Mr Rajiv Gandhi emerged as the largest single party

but well short of a majority. It was only when Mr Gandhi declined to form a government that Mr Venkataraman, the then president, allowed the National Front led by Mr VP Singh, 30 days to choose a leader and ultimately to form a government

In the current crisis, analysts expect the president may call upon the more cohesive grouping around the Bharatiya Janata party (BJP), the largest single party, to form a govern-

Though there are fears that Indian politics may lose its secular character with the right wing Hindu fundamentalist BJP in power, the party, under the leadership of Mr Atal Behari Vajpayee, may be the only one able to form a coalition capable of governing. "Mr Sharma has shown in

recent years that he is not content to be a mere rubber-stamp. He is not afraid to take bold steps when they are required," says a senior official in the president's office. The office of the presidency has in the past been a highly

Mrs Indira Gandhi was widely criticised for her partisan attitude to the office, notably in her appointment of Congress party member Gaini Zail Singh in the mid-1980s. She also used president's rule to replace non-Congress

governments in states. The grey areas in the constitution have sparked debate. Mr Soli Sorabjee, a constitutional expert and former attor-

say constitutional experts ney-general, says the president should give the leader of the largest party a chance house and form a government.

President Shankar Dayal Sharma: faces difficult task,

Mr K K Venugopal, Supreme Court lawyer and contitutional expert, agrees and adds: "The test is really who is the leader capable of providing a stable government." Editorial comment, Page 13

# Jail escape angers Indonesians

in Jakarta

The escape from jail of one of Indonesia's most notorious white-collar criminals has outraged Indonesians but surprised few, as details emerged of his break-out and privileged treatment in prison.

Mr Eddy Tansil, 42, an entre-preneur jailed for 20 years in 1994 for defrauding a state bank of more than \$500m, allegedly changed his hair style, grew a beard, paid bribes to prison wardens and escaped in a taxi.

Indonesian authorities have

yet to find him but police have arrested 10 prison wardens and security guards working at the Jakarta jail where he was being held until his

escape just over a week ago. Mr Tansil's conviction, with five former bank executives jailed for four to nine years for their involvement in the loan scam, was intended to serve as an example to Indonesia's business community.

His escape, say observers, makes a mockery of a justice system which before now has suffered a credibility problem, and of government reformers studying the state banking sector, saddled with high levels of bad debt.

Mr Oetolo Oesman, justice minister, was not informed of Mr Tansil's break-out until three days after it occurred on May 4, too late to warn port and airport authorities. Public anger is growing as

details of Mr Tansil's escape and two-year period of custody emerge. One Indonesian lawyer called the affair a "tragedy"; an editorial in the English-language newspaper Jakarta Post said the case. "far from being an isolated example, is a symptom of the myriad complex social afflictions which are plaguing our

in Mr Tansil's jailbreak. It is not clear how prison wardens could have acted independently if they released a highprofile inmate whose trial only two years ago was so highly

The justice minister has set up teams from the ministries of justice, home affairs, foreign affairs, information, the attorney-general's office and the army to catch Mr Tansil. But few believe he is still in

society" ociety. Speculation is rife about whether any officials colluded

after the handover.

# Naming of HK chief executive may be delayed

By John Ridding in Hong Kong

The selection of Hong Kong's first chief executive, the head of the post-colonial administration after next year's handover to China, could face a delay of several months, according to comments by a senior Chinese

Mr Zhou Nan, director of the Hong Kong branch of Xinhua, China's de facto embassy in the territory, said yesterday a Beijing-appointed body overseeing next year's transfer of sovereignty needed more time to determine the formation of a 400-member committee that

will choose the chief executive. Although China has not formally stated the timetable for the selection process, members of the Beijing-appointed Preparatory Committee had indicated that a decision was due during the autumn. One committee member suggested that this could now be pushed back by several months.

The Hong Kong government is seeking a decision on the issue as early as possible. partly to remove uncertainty ahead of the transition. The nomination of a chief executive designate would also curb the role of Chinese officials in Hong Kong affairs by establishing the head of the Special Administrative Region (SAR), as Hong Kong will be known

Mrs Anson Chan, Hong Kong's chief secretary, yesterday stressed the tight time-

"Time is rapidly running out. We have just over 400 necessary mechanisms to high degree of autonomy." she is estimated to involve about told a seminar of parliamentar- 40 job cuts.

In a forceful speech, Mrs Chan said Chinese leaders need to show "more co-operation" over the transition.

In comments directed to the territory's business community, she also said that Hong Kong people who have dealings with China should be "more prepared to stand up to defend and to explain our autonomy". The comments follow

remarks by Mr Chris Patten, Hong Kong's governor, who 'We need more

co-operation from China's leaders over the transition

has criticised Hong Kong's tycoons for failing to defend the territory's autonomy and institutions. Mrs Chan is widely backed in Hong Kong to take over from Mr Patten as the first chief executive after

the handover. However, most political analysts believe it is more likely that she will remain as chief secretary, the head of the civil service, partly because of her close association with the current administration.

■ The Eastern Express, one of Hong Kong's three Englishlanguage dailies, yesterday announced that it will change its format to become a business-oriented publication rather than a general newsnaper. The loss-making newspaper cited overcrowding in the days to put in place all the English-language general newspaper market as the reaenable the SAR to exercise a son for the move. The change

# New Malaysia futures exchange

Malaysia has signalled its determination to develop as a regional financial hub rivalling Hong Kong and Singapore by granting an operating licence for the country's second financial futures exchange.

The Malaysia Monetary Exchange (MME), which will open later this month, will trade interest rate and currency futures. Its opening has been delayed by several months as officials weighed the broader fall-out of the Barings bank collapse. The British bank got into difficulties in February 1995 after the trader Nick Leeson ran up losses of \$836m (£549m) in derivatives trading on the Singapore International Monetary

The new bourse will also provide a much-needed domestic mechanism for hedging against currency and interest rate fluctuations in a manufacturing economy which imports more than it exports. "We are talking about the education of an economy in how derivatives markets work. Trading volume is not going to take off for a while but the lessons learned [fromthis exercise] will stand the wider economy in good stead," said a foreign adviser to the MME.

The MME's official opening is tentatively scheduled for May 28, when its first contract based on the three-month Kuala Lumpur Interbank Offered Rate (KLIBOR) is due to be

■ In a separate markets development, a local securities house has announced that it will set up an "Islamic index" comprising the stocks of 179 companies which are listed on the Kuala Lumpur Stock Exchange but which do not profit from activities at odds with Islamic principles. The RHB Islamic Index, conceived by Rashid Hussain Securities, does not include companies which run casinos, sell alcohol or earn money from charging interest. The securities house hopes the index will help Malaysia's Moslems in forming Islamic investment portfolios. Malaysia is a predominately Moslem James Kynge, Kuala Lumpu

■ Malaysian health authorities vesterday issued a cholera alert and closed 11 restaurants on Penang Island, where 32 people have been taken to hospital with the disease. Penang, off Malaysia's north-western coast, is a leading tourist destination and a centre for electronics AP. Kunin Lumma

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### Telstra sell-off study starts

A feasibility study into the part-privatisation of Telstra, Australia's biggest telecoms group, has begun, Mr Frank Blount, chief executive, said yesterday. Telstra is at present wholly owned by the federal government, but the new conservative coalition has pledged to sell off one-third of its equity during the present three-year parliamentary term.

Mr Blount said he expected the study, being undertaken in conjunction with CS First Boston, to take several weeks or months to complete. Legislation to permit part-privatisation of Telstra has been introduced into parliament, but faces a stormy ride in the Senate, parliament's upper house, where the coalition does not have a majority. Labor and the Australian Democrats, the most significant of the minor parties, have said they will vote against the legislation. leaving its passage dependent on the views of one independent and two Green party senators. Nikki Tait, Sydney

### Court order to Japan sect chief



ordered Aum Shinrikyo leader Shoko Asabara (left) to pay nearly Y100m (£623,000) in damages to the parents of an Aum follower who died during religious training at the cult's facility west of Tokyo eight years ago. The parents of Teruyuki Mashima, then 25, had demanded the damages payment, saying their son was beaten to death by a

A Tokyo court yesterday

number of cult followers on orders from Asahara at the facility in Fujinomiya, Shizuoka Prefecture, in September 1988 Neither Asahara nor his lawyers appeared in the court during

hearings into the case. Asahara, 41, and many of his followers have been charged with murder and various other counts over a series of crimes. Among them are nerve gas attacks against Tokyo subways in March last year and against residents in Matsumoto, Nagano Prefecture, central Japan, in June 1994.

**E GERMANY** 

### INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

1985			rette	indicator		rolume	production .	rate	indicator	Indicator	volume	production	(Market	indicator	
	100.0	100.0	7.1	100.0	91.3	100.0	100.0	2.6	100.0	76.4	100.0	100.0	7.1	100.0	89.7
1986	105.5	100.9	6.9	98.4	95.5	106.6	99.7	2.8	94.3	83.4	103.4	102.2	6.4	136.9	89.4
1987	108.4	106.0	6.1	104.2	96.6	113.8	103.1	2.8	108.3	91.2	107.4	102.6	6.2	149.5	90.0
1988	1125	110.7	5.4	104.9	100.2	122,6	113.1	25	135.9	96.7	170.5			165.1	95.7
1989	115.4	112.4	5.2	97.9	99.1	132.5	119.7	22	147.0	98.7		106.3	62		
1990	116.2	1124	5.5	82.7	95.3	141.7	124.5	2.1	149.8	96.7 95.7	114.2		5.6	219.5	97.8
1991	113.5	110.4	6.8	61.7	100.2	144.6	126.8	2.1	144.2	92.9	123.5	117.2	4.8	261.9	98.3
1992	117.2	114.2	7.4	61.8	105.0	139.9	119.0				130.5	117.9	4.2	297.9	95.2
1998	123.4	118.2	6.8	67.7	110.6			2.1	124.2	91.7	127.7	116.5	4.6	287.9	89.2
1994	130.9	125.1	6.0	79.0		131.8	113.6	2.5	106.6	97.1	122.3	109.2	6.1	229.0	95.6 10.57
1995	136.1	129.3	5.5		112.5	129.6	114.5	2.9	102.2	105.0	120.4	113.9	6.8	240.4	1037
1333	130.1	128.3	3.3	79.1	111.3	128.6	118.2	3.1	106.5	109.5		114.2		267.8	100.9
2nd qtr.1995	4.2	3.3	5.6	77.4	111.2	-0.8	4.9	3.1	104.9	106.2					101.9
3rd qtr.1995	4.5	3.0	5,6	78.8	110.5	0.5	0.9	3.2	105.1	107.8		1.7	6.8	276.3	
4th atr.1995	2.9	1.6	5.5	79.4	H11.3	-0.3	1.2	3.3	109.9	109.5		-0.1		265,5	100.6
1st atr.1996		1.3		78.4		-0.0	1.2	3.3	109.9	109.5		-3.7		258.0	100.9
							1,2					-2,4		273.8	
April 1995	3.1	3.9	5.6	80.7	111.6	-1.5	6.0	3.1	104.0	105.5		1.6	6.8	279.7	102.0
May	4.7	3.3	5.6	75.3	111.4	-0.7	5.6	3.1	106.3	105.9		2.9	8.8	277.2	103.1
June	4.9	. 2.8	5.5	76.2	111.2	-0.3	3.2	3.2	104.5	106.2		0.7	6.8	272.2	101.9
July	4.9	2.7	5.6	79.8	111.3	-0.9	1.3	3.2	104.2	106.5					101.1
August	4.5	3.2	5.6	78.9	111.0	0.7	1.0	3.2	105.8	107.2		1.0	6.8	270.5	
September	4.2	3.1	5.6	77.8	110.5	1.8	0.5	32	105.4	107.8		-0.2		264.6	100.8
October	2.1	1.9	5.4	78.6	110.3	-1.1	1.4	3.2	109.0			-1.1		261.3	100.6
November	3.1	1.7	5.5	76.9	110.6	1.3	0.7	3.4	109.6	108.1 109.1		-3.4		258.0	100.6
December	3.5	1.1	5.5	82.5	111.3	-1,1	1.5	3.4	111.2			-2.7		261.3	100.8
January 1996	2.0	0.6	5.7	79.6	111.9	5.6	2.6	3.4		109.5		-4.9		254.6	100.9
February	4.0	2.0	5.5	79.5	112.3	3.0			110,1	109.6		0.6		264.6	100.8
March	-10	1.3	صب	79.3	112.3		3.3	3.3	114.6	110.2		-6.0		270.5	100.3
				10.0			-2.5					~1,7		286.3	
	# FRA	NCE				I ITAL	7								
			Useny-	Vacance	Compositio		-		Unomp-			ED KII		•	
	Ratel sales	Industrial	icytuaes rain		leading ledicator				unump-	Composite feading	Retails		Unemp-	Yearny	Companie
											sois.	lark-sa-led		_	leasting.
	tolone	production		Indicator		Rutsi sales volum	e production		nife	ndege	epins Volume	industrial production	logrocui. rain	rain indicator	icadog indicator
1985	100.0	100.0	10.3	700.0	90.0	100.0				redepter	- volume	production	rate	indicator	
1986	100.0 . 102.4	100.0 101.1	10.3 10.4	700.0 107.0			100.0		9.6	88.3	100.0	production 100.0	11.2	indicator 100.0	90.2
1986 1987	100.0 . 102.4 104.5	100.0 101.1 103.1	10.3 10.4 10.5	700.0	90.0	100.0	100.0 104,1		9.6 10,4	88.3 94.4	100.0 105.3	100.0 102.5	11.2 11.2	100.0 116.1	90.2 92.8
1986 1987 1988	100.0 . 102.4 104.5 107.9	100.0 101.1	10.3 10.4	700.0 107.0	90.0 96.3	100.0 106.8 112.1	100.0 104.1 106.8		9.6 10.4 10.9	88.3 94.4 96.0	100.0 105.3 110.8	100.0 102.5 106.5	11.2 11.2 10.3	100.0 116.1 141.0	90.2 92.8 96.5
1986 1987 1988 1989	100.0 . 102.4 104.5	100.0 101.1 103.1	10.3 10.4 10.5	100.0 107.0 117.2	90.0 96.3 96.2 101.1	100.0 106.0 112.1 107.5	100.0 104.1 1 106.8 114.2		9.6 10.4 10.9 10.9	88.3 94.4 96.0 100.4	100.0 105.3 110.8 117.8	100.0 102.5 106.5 111.6	11.2 11.2 10.3 8.6	100.0 116.1 141.0 144.0	90.2 92.8 96.5 96.2
1986 1987 1988	100.0 . 102.4 104.5 107.9	100.0 101.1 103.1 107.3	10.3 10.4 10.5 10.0	100.0 107.0 117.2 135.3	90.0 96.3 96.2 101.1 101.0	100.0 106.0 112.1 107.5 116.5	100.0 104.1 106.8 114.2 118.7		9.6 10.4 10.9 10.9 10.9	88.3 94.4 96.0 100.4 98.5	100.0 105.3 110.8 117.8 120.1	100.0 102.5 106.5 111.6 114.0	11.2 11.2 10.3 8.6 7.2	100.0 116.1 141.0 144.0 124.3	90.2 92.8 96.5 96.2 94.6
1986 1987 1988 1989	100.0 . 102.4 104.5 107.9 109.5 110.4	100.0 101.1 103.1 107.3 111.3 112.8	10.3 10.4 10.5 10.0 9.4 8.9	700.0 107.0 117.2 135.3 160.6 163.2	90.0 96.3 96.2 101.1 101.0 96.4	100.0 106.0 112.1 107.5 116.5	100.0 104.1 106.8 114.2 118.7 118.0		9.6 10.4 10.9 10.9 10.9 10.9	88.3 94.4 96.0 100.4 98.5 95.1	100.0 105.3 110.8 117.8 120.1 121.1	100.0 102.5 106.5 111.6 114.0 113.7	11.2 11.2 10.3 8.6 7.2 6.8	100.0 116.1 141.0 144.0 124.3 97.8	90.2 92.8 96.5 96.2 94.6 92.3
1966 1967 1968 1989 1990	100.0 . 102.4 104.5 107.9 109.5 110.4 110.3	100.0 101.1 103.1 107.3 111.3 112.8 111.4	10.3 10.4 10.5 10.0 9.4 8.9 9.4	100.0 107.0 117.2 135.3 160.6 163.2 128.2	90.0 96.3 96.2 101.1 101.0 96.4 97.8	100.0 106.1 112.1 107.5 116.5 114.5 110.5	100.0 104.1 106.8 114.2 118.7 118.0		9.6 10.4 10.9 10.9 10.9 10.9 10.3 9.8	88.3 94.4 96.0 100.4 98.5 95.1 97.3	100.0 105.3 110.8 117.8 120.1 121.1 119.4	100.0 102.5 106.5 111.6 114.0 113.7 109.5	11.2 11.2 10.3 8.6 7.2 6.8 8.8	100.0 116.1 141.0 144.0 124.3 97.8 68.6	90.2 92.8 96.5 96.2 94.6 92.3 95.3
1986 1987 1988 1989 1990 1991 1992	100.0 . 102.4 104.5 107.9 109.5 110.4 110.3 110.5	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5	90.0 96.3 96.2 101.1 101.0 96.4 97.8 98.6	100.0 106.1 112.1 107.5 116.5 114.5 110.5	100.0 104.1 106.8 114.2 118.7 118.0 116.9		9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8	88.3 94.4 96.0 100.4 98.5 95.1 97.3 94.3	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4	100.0 102.5 106.5 111.6 114.0 113.7	11.2 11.2 10.3 8.6 7.2 6.8	100.0 116.1 141.0 144.0 124.3 97.8	90.2 92.8 96.5 96.2 94.6 92.3 95.3
1986 1987 1988 1989 1990 1991 1992 1993	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 96.4 97.8 96.6 100.1	100.0 106.1 112.1 107.5 116.5 116.5 116.5	100.0 104.1 106.8 114.2 118.7 118.0 116.9 116.9 115.4 115.4		9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2	88.3 94.4 96.0 100.4 99.5 95.1 97.3 94.3 101.1	100.0 105.3 110.8 117.6 120.1 121.1 119.4 120.4 123.9	100.0 102.5 106.5 111.6 114.0 113.7 109.5	11.2 11.2 10.3 8.6 7.2 6.8 8.8	100.0 116.1 141.0 144.0 124.3 97.8 68.6	90.2 92.8 96.5 96.2 94.6 92.3 95.3 97.7
1986 1987 1988 1989 1990 1991 1991 1992 1993	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8 110.0	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5	90.0 96.3 96.2 101.1 101.0 96.4 97.8 98.6 100.1	100.0 106.0 112.1 107.5 116.5 116.5 116.5 116.7	100.0 104,1 105.8 114.2 118.7 116.9 116.9 115.4 115.4 119.5		9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8	88.3 94.4 96.0 100.4 98.5 95.1 97.3 94.3 101.1 103.7	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4	100.0 102.5 106.5 111.6 114.0 113.7 109.5 109.4	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1	100.0 116.1 141.0 144.0 124.3 97.8 68.6 69.6	90.2 92.8 96.5 96.2 94.6 92.3 95.3
1986 1987 1988 1989 1990 1991 1992 1993	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 96.4 97.8 96.6 100.1	100.0 106.1 112.1 107.5 116.5 116.5 116.5	100.0 104,1 105.8 114.2 118.7 118.7 115.9 115.9 115.4 119.5		9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2	88.3 94.4 96.0 100.4 99.5 95.1 97.3 94.3 101.1	100.0 105.3 110.8 117.6 120.1 121.1 119.4 120.4 123.9	100.0 102.5 106.5 111.8 114.0 113.7 109.5 109.4 111.5	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1	100.0 118.1 141.0 144.0 124.3 97.8 68.6 69.6 76.5	90.2 92.8 96.5 96.2 94.6 92.3 95.3 97.7
1986 1987 1988 1989 1990 1991 1991 1992 1993	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8 110.0	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 96.6 100.1 103.5 99.1	100.0 106.0 112.1 107.5 116.5 114.5 110.5 114.1 107.4	100.0 104.1 106.8 114.2 118.7 118.0 116.9 115.4 115.4 119.5 119.5		9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2 11.1	88.3 94.4 96.0 100.4 98.5 95.1 97.3 94.3 101.1 103.7 101.9	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 126.5 129.9	100.0 102.5 106.5 111.8 114.0 113.7 109.5 109.4 111.5 117.2 120.0	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7	100.0 116.1 141.0 144.0 124.3 97.8 68.6 69.6 76.5 93.9 107.8	90.2 92.8 96.5 96.2 94.6 92.3 95.3 97.7 104.5 107.6
1986 1987 1988 1989 1990 1991 1991 1992 1998 1994 1995	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8 110.0 111.8	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 96.6 100.1 103.5 99.1	100.0 106.0 112.1 107.5 116.9 116.9 116.9 116.1 107.4 102.3	100.0 104.1 106.8 114.2 118.7 118.7 118.0 116.9 115.4 1119.5 119.5 127.2		9.6 10.4 10.9 10.9 10.9 10.3 9.8 10.2 11.1	88.3 94.4 96.0 100.4 98.5 95.1 97.3 94.3 101.1 103.7 101.9	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 126.5 129.9	100.0 102.5 106.5 111.6 114.0 113.7 109.5 109.4 111.5 117.2 120.0	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7	100.0 116.1 141.0 144.0 124.3 97.8 68.6 69.6 76.5 93.9 107.8	90.2 92.8 96.5 96.2 94.6 92.3 95.3 97.7 104.5 107.2 106.6
1986 1987 1998 1999 1990 1991 1992 1992 1994 1994 1995 2nd qtr.1995 3rd qtr.1995	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7	100.0 101.1 103.1 107.1 111.3 111.3 111.4 110.0 105.8 110.0 111.8	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 96.4 97.8 96.6 100.1 103.5 99.1	100./ 108./ 112./ 107.5 116.5 114.5 116.5 114.7 107.4 102.4	0 100.0 3 104.1 1 106.8 3 114.2 9 118.7 1 118.0 9 116.9 1 115.4 1 119.0 1 119.5 6 6.1		9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2 11.1	88.3 94.4 96.0 100.4 98.5 95.1 97.3 94.1 103.7 101.9 102.0 102.3	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9	100.0 102.5 106.5 111.8 114.0 113.7 109.5 109.4 111.5 117.2 120.0	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7	100.0 116.1 141.0 124.3 97.8 68.6 69.6 76.5 93.9 107.8	90.2 92.8 96.5 96.2 94.6 92.3 97.7 104.5 107.2 106.6
1986 1987 1989 1989 1991 1992 1993 1894 1995 2nd qtr.1995 4th qtr.1995	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8 110.0 111.8	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 96.6 100.1 103.5 99.1	100.0 106.0 112.1 107.5 116.9 116.9 116.9 116.1 107.4 102.3	0 100.0 3 104.1 1 106.8 3 114.2 9 118.7 1 118.0 9 116.9 1 115.4 1 119.0 1 119.5 6 6.1		9.6 10.4 10.9 10.9 10.9 10.3 9.8 10.2 11.1	88.3 94.4 96.0 100.4 98.5 95.1 97.3 94.3 101.1 103.7 101.9	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9	100.0 102.5 106.5 111.6 114.0 113.7 109.5 109.4 111.5 117.2 120.0	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7	100.0 116.1 141.0 144.0 124.3 97.8 68.6 69.6 76.5 93.9 107.8	90.2 92.8 96.5 96.2 94.6 92.3 95.3 97.7 104.5 107.2 106.6
1986 1987 1989 1980 1991 1992 1993 1894 1995 2nd qtr.1995 4th qtr.1995 1st qtr.1996	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7 110.5	100.0 101.1 103.1 107.1 111.3 111.3 111.4 110.0 105.8 110.0 111.8	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 96.4 97.8 96.6 100.1 103.5 99.1	100./ 108./ 112./ 107.5 116.5 114.5 116.5 114.7 107.4 102.4	0 100.0 3 104.1 1 106.8 3 114.2 9 118.7 1 118.0 9 116.9 1 115.4 1 119.0 1 119.5 6 6.1		9.6 10.4 10.9 10.9 10.9 10.3 9.8 10.2 11.1	88.3 94.4 96.0 100.4 98.5 95.1 97.3 94.1 103.7 101.9 102.0 102.3	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9	100.0 102.5 106.5 111.8 114.0 113.7 109.5 109.4 111.5 117.2 120.0	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7	100.0 116.1 141.0 124.3 97.8 68.6 69.6 76.5 93.9 107.8	90.2 92.8 96.5 96.2 94.6 92.3 97.7 104.5 107.2 106.6
1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 2nd qtr.1995 3rd qtr.1995 4th qtr.1996 April 1995	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7	100.0 101.1 103.1 107.1 111.3 111.3 111.4 110.0 105.8 110.0 111.8	10.3 10.4 10.5 10.0 9.4 10.4 11.7 12.3 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 96.4 97.8 96.6 100.1 103.5 99.1	100.0 106.1 112.1 107.5 116.5 114.5 110.5 114.1 107.4 102.5 -3.4 -7.5	0 100.0 104.1 106.8 114.2 118.7 118.0 116.9 116.9 115.9 115.4 119.5 127.2 15.8 14.7	-	9.6 10.4 10.9 10.9 10.9 10.3 10.3 9.8 9.8 10.2 11.1	88.3 94.4 96.0 100.4 98.5 95.1 97.3 94.3 101.1 103.1 102.0 102.0 102.3	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 126.5 129.9	100.0 102.5 106.5 111.8 114.0 113.7 109.5 109.4 111.5 117.2 120.0 2.3 1.6 1.0	11.2 11.2 10.3 8.6 7.2 6.8 10.1 10.4 9.5 8.7 8.6	100.0 118.1 141.0 144.0 124.3 97.8 69.6 76.5 93.9 107.8 106.4 109.2 111.8 111.5	90.2 92.8 96.5 96.2 94.6 92.3 95.3 97.7 107.2 106.6 106.6
1986 1987 1989 1980 1991 1992 1993 1894 1995 2nd qtr.1995 4th qtr.1995 1st qtr.1996	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7 110.5	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8 110.0 111.8 3.1 0.3 -2.1	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6 11.5	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 96.4 97.8 98.6 100.1 103.5 99.1 101.9 98.6 99.1	100./ 106./ 112./ 107.5 116.5 114.5 116.5 114.7 107.4 102.5 -4.6 -3.4 -7.8	0 100.0 3 104.1 1 106.8 3 114.2 9 118.7 5 118.0 9 116.9 1 115.4 1 119.5 1 127.2 6 6.1 5 5.8		9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2 11.1	88.3 94.4 95.0 100.4 98.5 95.1 97.3 94.3 101.1 101.9 102.0 102.0 101.5	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 1.4 0.5 1.2 1.1	100.0 102.5 108.5 111.8 114.0 113.7 109.5 109.5 117.2 120.0 2.3 1.6 1.0	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 9.5 8.7 8.8 8.7	100.0 116.1 141.0 144.0 124.3 97.8 68.6 69.6 76.5 93.9 107.8 106.4 109.2 111.5	90.2 92.8 96.2 96.2 94.6 92.3 95.7 104.5 107.2 106.6 107.4 106.6
1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 2nd qtr.1995 3rd qtr.1995 4th qtr.1996 April 1995	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7 110.5 0.2 -2.5	100.0 101.1 103.1 107.3 111.3 112.4 110.0 105.8 110.0 111.8 3.1 0.3 -2.1	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6 11.6 11.5 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 96.4 97.8 90.6 100.1 103.5 99.1 101.9 96.6 99.1	100.0 106.1 112.1 107.5 116.5 114.5 110.7 107.4 102.5 -4.6 -3.4 -7.6	0 100.0 104.1 106.8 114.2 118.7 118.0 116.9 116.9 115.4 119.5 127.2 15.6 1.7.4		9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2 11.1 12.2 12.1	88.3 94.4 96.0 100.4 98.5 95.1 101.1 101.9 102.0 102.3 101.9	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 1.4 0.5 1.2 2.1	100.0 100.0 100.5 111.6 114.0 113.7 109.5 117.2 120.0 2.3 1.6 1.6 1.0	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7 8.6 8.8	100.0 118.1 141.0 144.0 124.3 97.8 69.6 76.5 93.9 107.8 106.4 109.2 111.5 107.2 106.0	90.2 92.8 96.5 94.6 92.3 95.3 104.5 107.2 106.6 107.4 106.9 107.5
1986 1987 1989 1989 1990 1991 1992 1993 1894 1995 2nd qtr.1995 4th qtr.1995 4th qtr.1996 April 1995 May	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7 110.5 2 -2.5	100.0 101.1 103.1 107.3 111.8 111.4 110.0 105.8 110.0 111.8 3.1 0.3 -2.1	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.5 11.6 11.6 11.6 11.6 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 96.6 100.1 103.5 99.1 101.9 99.6 99.1	100.0 106.1 112.1 107.5 116.5 114.5 110.5 114.1 107.4 102.5 -3.4 -7.5 -2.1	0 100.0 104.1 1 106.8 3 114.2 9 118.7 9 116.9 9 115.4 1 119.5 1 127.2 6 6.1 1 5.8 4 4.7		9.6 10.4 10.9 10.9 10.9 10.3 9.8 10.2 11.1	88.3 94.4 95.0 100.4 99.5 95.1 97.3 101.1 103.7 101.9 102.3 101.9	100.0 105.3 117.8 120.1 121.1 119.4 123.9 126.5 129.9 1.4 0.5 1.2 2.1	100.0 100.5 111.6 114.0 113.7 109.5 109.5 117.2 120.0 2.3 1.6 1.0	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 9.5 8.7 8.6 8.8 8.8	100.0 118.1 141.0 144.0 124.3 97.8 69.6 69.6 93.9 107.8 106.4 111.8 111.5	90.2 92.8 96.5 94.6 92.3 97.7 104.5 106.6 107.4 106.9 108.6
1986 1987 1989 1990 1991 1992 1993 1994 1995 2nd qtr.1995 3rd qtr.1995 3rd qtr.1995 1et qtr.1996 April 1995 May June	100.0 102.4 104.5 107.9 108.5 110.4 110.3 110.5 110.7 110.7 110.5 - 1.2 0.2 -2.5	100.0 101.1 103.1 107.3 111.3 112.4 110.0 105.8 110.0 111.8 3.1 0.3 -2.1	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.5 11.6 11.6 11.6 11.6 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 98.6 100.1 101.9 99.6 99.1 102.7 102.4 101.5	100./ 106./ 112./ 116./ 116./ 116./ 116./ 107./ 102./ -4./ -3./ -7./ -8./ -5./ -3./	100.0 104.1 106.8 114.2 118.7 118.0 116.9 115.4 115.4 119.5 127.2 6.1 5.8 4.7	-	9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2 11.1	88.3 94.4 95.0 100.4 98.5 95.1 97.3 94.3 101.9 102.0 102.0 102.0 101.5 101.7 102.7	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 1.4 0.5 1.2 2.1	100.0 102.5 108.5 111.8 114.0 113.7 109.5 109.5 117.2 120.0 2.3 1.6 1.0 2.9 1.9 2.3	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7 8.8 8.7 8.8 8.8 8.8 8.8	100.0 116.1 141.0 144.0 124.3 97.8 68.6 69.6 76.5 93.9 107.8 106.4 109.2 111.8 111.5	90.2 92.8 96.2 94.6 92.3 97.7 104.5 107.4 106.6 107.4 107.4 107.4 107.4
1986 1987 1988 1989 1990 1990 1991 1992 1992 1994 1995 2nd qtr.1995 3rd qtr.1995 4th qtr.1995 1st qtr.1996 April 1995 May June Judy August	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.5 . 1.2 0.2 -2.5 0.4 2.6 0.5 1.8	100.0 101.1 103.1 107.3 111.3 111.4 110.0 105.8 110.0 111.8 3.1 0.3 -2.1 2.4 3.2 3.7 0.8	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6 11.6 11.6 11.6 11.6 11.5 11.5	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 96.6 100.1 103.5 99.1 101.9 99.1 102.4 101.9 101.9 101.9	100./ 106./ 112./ 107.5 116.5 114.5 116.5 114.7 107.4 102.5 -4.f -3.4 -7.f -8.5 -5.0 -3.5	100.0 104.1 106.8 114.2 118.7 118.0 116.9 116.9 116.9 115.4 119.5 127.2 127.2 15.4 15.8 17.4 17.4 17.4 17.4 17.4 17.4 17.4 17.4		10.4 10.9 10.9 10.9 10.9 10.3 9.8 10.2 11.1 12.2 12.1	88.3 94.4 95.0 100.4 95.1 97.3 94.3 101.1 103.1 101.9 102.0 102.3 101.7 102.0 102.0 102.0 102.0 102.0	100.0 105.3 110.8 117.8 120.1 121.1 119.4 123.9 128.5 129.9 1.4 0.5 1.2 2.1 1.8 1.2 1.2	100.0 100.5 111.6 114.0 113.7 109.5 109.5 117.2 120.0 2.3 1.6 1.0	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 9.5 8.7 8.6 8.8 8.8	100.0 118.1 141.0 144.0 124.3 97.8 69.6 69.6 93.9 107.8 106.4 111.8 111.5	90.2 92.8 96.5 96.2 94.6 92.3 97.7 104.5 107.4 106.9 107.4 107.4 107.4 107.4
1986 1987 1989 1989 1991 1992 1993 1894 1995 2nd qtr.1995 4th qtr.1995 4th qtr.1996 April 1995 May August September	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7 110.5 0.2 -2.5 0.4 2.6 0.5 1.8 -0.3 -0.9	100.0 101.1 103.1 107.3 111.8 111.4 110.0 105.8 110.0 111.8 3.1 0.3 -2.1 2.4 3.7 0.8 0.8	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.7 12.3 11.6 11.6 11.6 11.6 11.6 11.6 11.5 11.5	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 90.6 100.1 103.5 99.1 101.9 99.1 102.7 102.4 101.9 101.5 100.9	100.0 106.1 112.1 107.5 116.5 114.5 110.5 114.1 107.4 102.5 -4.1 -3.4 -7.8 -2.1 -8.5 -5.0 -3.5 -5.0	100.0 104.1 105.8 114.2 118.7 118.0 116.9 116.9 116.9 115.4 119.5 127.2 15.8 14.7 15.8 15.8 15.8 15.8 15.7 15.7 15.8 15.7 15.7 15.7 15.7 15.7 15.7 15.7 15.7		10.4 10.9 10.9 10.9 10.9 10.3 9.8 10.2 11.1 12.2 12.1	88.3 94.4 96.0 100.4 99.5 95.1 97.3 101.9 102.3 101.9 102.3 101.7 102.0 102.7 102.9 102.3	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 1.4 0.5 1.2 2.1	100.0 100.0 106.5 111.8 114.0 113.7 109.5 111.5 117.0 2.3 1.6 1.6 1.9 1.9 1.9 1.9	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7 8.6 8.8 8.8 8.8 8.8 8.8 8.8	100.0 118.1 141.0 144.0 124.3 97.8 68.6 76.5 93.9 105.4 109.2 111.5 111.5 106.0 106.0 106.0	90.2 92.8 96.2 94.6 92.3 97.7 104.5 107.4 106.6 107.4 107.4 107.4 107.4
1986 1987 1989 1989 1991 1991 1992 1993 1993 1994 1995 2nd qtr.1995 3rd qtr.1995 4th qtr.1995 1et qtr.1996 April 1995 Nay June July August September October	100.0 102.4 104.5 107.9 108.5 110.4 110.3 110.5 110.7 110.7 110.5 0.2 -2.5 0.4 2.6 0.5 1.8 -0.3 -0.9	100.0 101.1 103.1 107.3 111.3 111.4 110.0 105.8 110.0 111.8 3.1 0.3 -2.1 2.4 3.2 0.8 -0.8 -0.8	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.5 11.6 11.6 11.6 11.6 11.6 11.6 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 96.6 100.1 101.9 99.6 99.1 102.7 102.4 101.9 101.5 100.9 99.1	100.0 106.1 112.1 117.5 116.5 114.1 110.3 116.5 114.1 107.4 107.4 -3.4 -7.5 -3.4 -5.0 -3.5 -5.0 -3.5 -1.6 -3.5 -1.6	100.0 104.1 106.8 114.2 118.7 118.7 118.0 116.9 115.9 115.4 119.5 119.5 127.2 127.2 127.2 127.2 127.2 14.3 14.4 15.1 17.4 17.4 17.4 17.4 17.4 17.4 17.4 17		9.6 10.4 10.9 10.9 10.9 10.3 9.8 10.2 11.1 12.2 12.1	88.3 94.4 96.0 100.4 98.5 95.1 97.3 101.1 103.1 102.0 102.0 102.3 101.7 102.0 102.7 102.7 102.9 102.3 101.4	100.0 105.3 110.8 117.8 120.1 121.1 119.4 123.9 128.5 129.9 1.4 0.5 1.2 2.1 1.8 1.2 1.2	100.0 100.5 106.5 111.6 114.0 113.7 109.5 109.4 111.5 117.2 120.0 2.3 1.6 1.0 2.9 1.9 1.9 1.9	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7 8.6 8.8 8.8 8.8 8.8 8.8 8.8 8.8	100.0 118.1 141.0 144.0 124.3 97.8 68.6 69.6 93.9 107.8 106.4 111.8 111.5 107.2 106.0 106.0 106.0 107.7 113.9	90.2 92.8 96.2 94.6 92.6 95.3 97.7 107.2 106.6 107.4 107.4 107.4 107.2 107.0 108.6
1986 1987 1988 1989 1990 1990 1991 1992 1992 1993 2nd qtr.1995 3rd qtr.1995 4th qtr.1995 1st qtr.1996 April 1995 May June July August September October November	100.0 102.4 104.5 107.9 108.5 110.4 110.3 110.5 110.7 110.5 . 1.2 0.2 -2.5 0.4 2.6 0.5 1.8 -0.3 -0.9	100.0 101.1 103.3 111.3 111.4 110.0 105.8 110.0 105.8 110.0 3.1 0.3 -2.1 2.4 3.2 3.7 0.8 -0.6 -1.5	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6 11.6 11.6 11.5 11.5 11.5 11.5 11.5	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 96.6 100.1 103.5 99.1 101.9 101.9 101.9 101.9 101.9 101.9 100.9	100.0 106.0 106.0 106.0 106.0 116.0	100.0 104.1 106.8 114.2 118.7 118.7 118.0 116.9 115.4 119.5 119.5 127.2 127.2 14.7 15.4 15.4 17.4 17.4 17.4 17.4 17.4 17.4 17.4 17		10.4 10.9 10.9 10.9 10.9 10.3 9.8 10.2 11.1 12.2 12.1	88.3 94.4 96.0 100.4 99.5 95.1 97.3 101.9 102.3 101.9 102.3 101.7 102.0 102.7 102.9 102.3	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 1.4 0.5 1.2 2.1 1.8 1.2 1.2 1.2 0.4	100.0 102.5 108.5 111.8 114.0 113.7 109.5 109.5 117.2 120.0 2.3 1.6 1.0 2.9 1.9 2.3 1.2	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7 8.8 8.8 8.8 8.8 8.8 8.8 8.8 8.8	100.0 116.1 141.0 144.0 124.3 97.8 68.6 69.6 76.5 93.9 107.8 106.4 109.2 111.8 111.5 107.2 106.0 106.0 106.2	90.2 92.8 96.2 94.6 92.6 95.3 97.7 107.2 106.6 107.4 107.4 107.4 107.2 107.0 108.6
1986 1987 1988 1989 1989 1990 1991 1992 1992 1994 1995 2nd qtr.1995 4th qtr.1995 4th qtr.1996 April 1995 May August Suptember October November	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.5 110.7 110.7 110.5 2 2.2 -2.5 0.4 2.6 0.5 1.8 -0.3 -0.9 -0.9	100.0 101.1 103.1 107.3 111.8 111.4 110.0 105.8 110.0 111.8 3.1 0.3 -2.1 2.4 3.7 0.8 0.8 -1.5 -2.4	10.3 10.4 10.5 10.0 9.4 10.7 12.3 11.6 11.6 11.6 11.6 11.6 11.5 11.6 11.6	100.0 107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	90.0 96.3 96.2 101.1 101.0 95.4 97.8 90.6 100.1 103.5 99.1 101.9 98.6 99.1 101.5 101.5 99.1 99.1 99.1	100.0 106.1 112.1 117.5 116.5 114.1 110.3 116.5 114.1 107.4 107.4 -3.4 -7.5 -3.4 -5.0 -3.5 -5.0 -3.5 -1.6 -3.5 -1.6	0 100.0 104.1 1 106.8 3 114.2 9 118.7 9 116.9 9 115.4 1 119.5 1 127.2 1 5.8 4.7 4.7 5.1 5.7 4 4.3 8.2 5.0 6 4.4 4.3 8.4 8.4 8.4 9 4.4 9 4.4 9 4.4 9 4.3 9 4.7 9 5.7 9 5.8 9 4.7 9 5.8 9 5.		9.6 10.4 10.9 10.9 10.9 10.3 9.8 10.2 11.1 12.2 12.1	88.3 94.4 96.0 100.4 98.5 95.1 97.3 101.1 103.1 102.0 102.0 102.3 101.7 102.0 102.7 102.7 102.9 102.3 101.4	100.0 105.3 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 1.4 0.5 1.2 2.1 1.8 1.2 1.2 0.4 -0.1	100.0 100.0 100.5 111.0 114.0 113.7 109.5 117.2 120.0 2.3 1.6 1.6 1.9 1.9 1.9 1.9 1.9 1.9 1.3 1.2 1.3 1.2 1.3	11.2 11.2 10.3 8.6 7.2 6.8 8.8 10.1 10.4 9.5 8.7 8.6 8.8 8.8 8.8 8.8 8.7 8.7 8.6	100.0 118.1 141.0 144.0 124.3 97.8 69.6 76.5 93.9 106.4 109.2 111.8 111.5 107.2 106.0 106.0 106.0 112.8	90.2 92.8 96.2 94.6 92.3 97.7 104.5 107.4 106.9 107.4 107.4 107.4 107.4 107.4 107.4 107.4 107.6 108.8
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The views selectionary acquisition. Statistics for Germany apply only to western Germany, Daza supposed by Datastream and WEFA. Retail select volume: data from national government sources sources except Japan and italy (major outlets only) and Japan (department stores only). Indistributions data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (department stores only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which odjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, supressed in index form. Derived from OECD safes, US - help-wanted advertising, Japan - new vacancies, Germany and France - all jobs vacant, italy - no data available, UK - unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precade cyclical fluctuations in general economic activity.

# Weary civilians return as the rebuilding of Jaffna begins

Amal Jayasinghe visits the once rebel-run town in northern Sri Lanka

Then last year the Tamil Tigers ruled Jaffna, the battleweary capital of northern Sri Lanka, it was an ever-growing monument to dead rebels while those who survived took credit for running an administration with cash from the very government they fought. Jaffna was the epicentre of

the separatist struggle of the Liberation Tigers of Tamil Eelam (LTTE) for decades but the army wrested control of it in December after nearly 50 days of ferocious battles. At the time it seemed a Pvrrhic victory for government

forces which saw some 500 soldiers killed and another 2,500

wounded and ended up taking a ghost town. The Tigers may have lost the battle, with some 3,000 of their combatants killed, but they succeeded in ordering the 500,000 Tamil civilian population out of this psychologically vital town before the army

moved in. However, the exodus reversed when soldiers mounted another campaign to capture the fall-back citadel of the Tigers at Chavakachcheri. just 20km to the east, and sealed off the entire Jaffna pen-

insula last month. A senior military leader who was involved in the rout of the Tigers said the militants had been crushed but did not rule out a jungle battle with the guerrillas, who are known to have some of the world's dead-

liest suicide bombers. Major-General Janaka Perera said although they had broken the back of the Tigers, the rebels could still infiltrate and

stage hit-and-run attacks. . "We have drastically and extensively reduced the fighting capability of the LTTE," Gen Perera told the first reporters allowed into the town since the latest round of fighting known as Eelam War III broke out in April last year.



Jubilant Sri Lankan soldiers late last year march through the suburbs of rebel-held Jaffna

The LTTE has also admitted in recent statements that they lost territory to the advancing army but say they will keep up a guerrilla war to establish a separate state called Eelam in Sri Lanka's north east.

Gone from Jaffna are the larger than life colour portraits of the Tiger "martyrs", including their suicide bombers, who were venerated by the rebels as well as their sympathisers, who lit coconut oil lamps and placed red and yellow garlands on them every day.

The police and kangaroo courts built up by the Tigers are no more. Motorists have abandoned number plates issued by the Tigers and replaced them with the old government registration plates. The Tigers had earlier instructed civil servants on the government payroll to take orders from them while gov-

ernment food shipments sent

to the embattled region were taken over by the guerrillas, who sold them.

Jaffna's top civil servant, Chelliah Pathmanathan, denies he took orders from the Tiger leadership, although President Chandrika Kumaratunga has often described him as a hostage of the rebels.

He said \$10m had been allocated by the government for urgent humanitarian operations in the region, where more than half the population has returned to homes damaged by years of fighting.

An elderly woman, Nagules-wari Periyathamby, sat cooped with a cow and calf in a twowheel tractor-trailer packed with white plastic bags of cattle feed, red rice and a box of clothes and awaited the end of army clearance. "People are not interested in Eelam," Mrs Periyathamby

said. "All we want to do is live

dren go back to school." Teachers, medical staff and other government employees were returning to work and could be restored early, Mr Pathmanathan said.

"Shelter is the main problem at the moment," he said, adding that more centres were being set up to distribute food to some 300,000 people who have already returned to the The government minister

responsible for rehabilitation. Mr Nimal Siripala de Silva, admits that there are bottlenecks in sending supplies to the region because land routes to Jaffina are still blocked by the Tigers. "If we have road access to Jaffna, we can turn the place

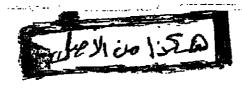
around in two weeks," Mr de

Silva said as the government

airlifted carpenters and

masons to begin urgent repairs

to the Jaffna hospital. The reconstruction of Jaffna would make a huge contribution to Sri Lanka's economic recovery. Virtually all sectors have been severely hit by the war, which has claimed more than 50,000 lives in the past two decades, with the country's defence budget taking up about a fifth of government



### By Philip Coggan, Markets Editor

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Successful UK companies tend to have a focused business strategy and significant shareholdings by management, according to a study by academics at Templeton College,

However, several well known companies are shown in the study to have delivered poor returns over the long term, including British Aerospace, British Steel and Hanson.

The study, written by the college's fellow in finance, Dr Rory Knight, uses the concept of value creation to judge companies. It compares the amount of capital raised by companies in the form of equity, debt and retained earnings with the company's current market value, in the form of both equity and debt

Previous studies in the US and UK, have used the arithetical difference between the capital raised and the current value as their key criterion, a measure which favours very large companies. The Temple-

between the two, called the value creation quotient (VCQ); a company which had raised £100m (\$152m) but now has a market value of £200m would bave a VCQ of 2.

ference. Shell, which has added the second most value in nominal terms (£13.19bn), has a VCQ of just 1.24 and ranks 394th out of 500 in the listings. Small companies dominate the top of the table, although two FT-SE 100 index constituents, Vodafone and Reuters, feature in the top 10. As the table shows, the leading company. DFS Furniture, has turned every £1 raised as equity or debt into £14.30 of

market value. DFS was founded by Sir Graham Kirkham in 1969 and both manufactures and retails furniture. Although Sir Graham has sold a substantial proportion of his holding, he and his family retain 30 per cent of the equity.

Templeton says that the best 10 companies have some similarities. They have "focused business strategies" and are

been "re-engineered"; all have significant share participation schemes; and in five cases. directors have shareho more than 15 per cent.

In contrast, conglomerates do not come out so well, with the bottom of the list (which was compiled before the bid from Norwegian group Kvaerner) and Berisford, Hanson and Lourho among the worst 100.

Among the worst perform ers, British Steel and British

Aerospace, by this measure, have turned every £1 of capital they have raised into less than £1 of value; each has "lost" more than £1bn of capital. The worst sectors of all, in terms of value creation, are

water and building contrac-

tors, while the best are health care and pharmaceuticals. Templeton has also compared the value creation record of the largest British companies, relative to those in France and Germany, "On average, the British firms are outperforming the French very slightly, who are in turn out-

	YCU:	MANTIN).	KEA (SUI).
TOP TEN			
1 DPS Puntiture	14.3	290.84	14.12
. 2. Capital Radio	10.56	311.1	14.79
3 Carpetright	9.44	175.1	14.03
4 Dominick Hunter	8.77	72.8	4.75
5 Phonelink	7.98	74.53	-5.36
6 ML Laboratories	7.86	163.76	-5.94
7 Magnum Power	6.92	65.48	-3.64
8 Vodatone	6.23	5,238.76	212.1
9 Reuters Holdings	6.13	6.578.37	377.18
10 Abbot Group	5.97	93.07	-3.0
BOTTOM TEN _	-		<del></del>
491 British Steel	. 0.76	-1,153.0	-156,13
492 Yorkshire Water	0.75	-514.02	-95.7
493 Finisy (James)	0.75	-56.55	-14.89
494 McAlpine (Alfred)	0.73	-76.85	-5.44
495 British Aerososce	0.72	-1.354.0	-253.61
498 McDonnieli Info	0.69	-45.28	-16.0
497 Aegle Group	0.69	-142.22	-42.24
498 Berdon Group	0.69	-189,57	-51.82
	9,00		~124

performing the German firms across the board" the report says. This probably reflects the Anglo-Saxon preoccupation with shareholder value.

499 Delty Mali & General 500 Trafalgar House

The table also shows what Templeton refers to as "realised economic value" (REV). This compares a business's cashflow after taxes with its weighted average cost of capital (allowing for both debt and equity). Of the 500 large companies surveyed. 174 are not earning enough to cover their cost of capital.

Value Creation among Britain's top 500 companies, Dr Rory F Knight, Templeton Col-

were "the best news since nat-

ural gas stated coming ashore

from the North Sea". Industrial

users were also delighted with

The 40 gas shipping compa-

nies which are Transco's direct

customers were disappointed

that Ofgas had not been even

tougher on Transco. One of

them said Transco had, by

some estimates, made £2bn in excess profits in recent years

which should be handed back

Transco is due to be

demerged from British Gas

they reinforced the uncertainty

in which the restructuring was

paying out dividends."

-386.2 -1,174.7

suggested that REV is a better

indicator of future value than

earnings per share, sales

growth and pure cash flow.

Companies with negative REVs, says Dr Knight, "should

consider whether they want to

make further investments in

the lines of business they're in.

It is a serious management

issue whether they should be

retaining cashflow rather than

-6.8 -319.39

### **Budget** assumes **EMU** in 1999

The government is preparing Budget plans on the assumption that European monetary union will go ahead in 1999 as planned amid concern that its possible effects on sterling could further limit scope for tax cuts.

As the governing Conservative party reacted angrily yesterday to warnings by Mr Kenneth Clarke, the chancellor of the exchequer, that he may not be able to deliver significant cuts, ministers believe the financial markets will be especially susceptible to signs of fiscal irresponsibility in the run-up to a single currency.

Conservative backbenchers fear a shortfall in revenues, which has led to borrowing running above this year's fore cast of £22.5bn (\$34.20bn), could destroy chances of a taxcutting Budget, seen by many as vital to the party's slim election prospects

The acknowledgment that further financial prudence will be required to protect the pound as EU member states prepare for a new exchange rate mechanism by the end of the year will alarm Tory Eurosceptics. It appears to run counter to the prime minis-ter's strongly held view that a single currency will not be in place by 1999 and will not affect the party's general elec-

tion strategy.

However, the Irish government, which takes over the EU presidency in July, believes the ERM plans, which envisage a significantly stronger role for a European central bank, will be in place by December.

The British have made clear they will not take part in any revived ERM or in the single currency if it is operational in 1999.

next year. Mr Rogerson said Ministers will be warned the Ofgas proposals would not affect the demerger, although during the forthcoming public spending negotiations that revenue shortfalls and the single currency concerns will require greater cuts than envisaged if scope for tax cuts Lex, Page 14 is to be found.

### UK NEWS DIGEST

# Settlement offer 'inherently unfair'

The Paying Names' Action Group, formed by Lloyd's of London investors to represent those market, yesterday said the latest settlement offer was inherently unfair and "needs to be addressed urgently". Mr Tony Welford, chairman of the group said Names (individuals whose assets have traditionally supported LLoyd's) should vote against the final settlement, which was unveiled last week. In a letter to Lloyd's the group said: "We note the contents of Lloyd's press release of May 10 and ask how this improves the position of loyal Lloyd's Names who have incurred substantial external debts to continue to support Lloyd's." The group claims to represent 25 per cent of the market's present under

writing capacity.

Meanwhile administrators to the insolvent Kwelm insurance companies, subsidiaries of the failed London United Investments, are to set aside a further \$220m for creditors, bringing the total so far to \$920m. The Kwelm companies, which specialised in US casualty, professional indemnity and other liability business, have gross liabilities of about \$9.7bn. The companies went into provisional liquidation in 1992.

Jim Kelly, Accountancy Correspondent

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### Airport passenger numbers rise

Passenger numbers at leading UK airports increased 1.9 per cent last month compared with the April 1995 figure, it was announced yesterday. A total of 7.6m passengers passed through BAA's seven British airports.

The timing of Easter this year meant much of the pre-Easter raffic was pushed into March. This meant that there was a 9per cent dip in European charter passenger numbers last month, while European scheduled traffic fell 1 per cent. But North Atlantic numbers rose 3 per cent last month and domes-tic and Irish routes had increases of 9 per cent. Taking the figures for March and April 1996 together, there was an increase of 6.3 per cent on the March-April 1995 totals.

Heathrow passenger numbers rose 1.4 per cent last month, while Gatwick was up 2.3 per cent, Stansted 29 per cent, Southampton 9 per cent and the three Scottish airports taken as a group also increased 9 per cent.

Meanwhile, a new carrier, World Airlines, took to the skies today. Operating BAe 146 jets, the airline is flying 44 flights a week between London City Airport and Amsterdam. PA News

### Exchange data to be shared

The UK Treasury and the US Securities and Exchange Commission have agreed formally to share information about companies which are traded on stockmarkets in both countries. Under the accord, the SEC and the London Stock Exchange will notify one another if either regulator suspends or delists one of the 220 companies traded in both New York and London. The new arrangements, which the Treasury said secured better protection for investors, are largely a formalisation of existing co-operation between the exchanges. Nicholas Denton, London

### Call for handgun ban

The opposition Labour party yesterday called for a ban on handguns and a comprehensive tightening of restrictions on ownership of all firearms in the wake of the shooting of 16 primary school children in Dunblane, Scotland two months ago. In evidence to the inquiry into the massacre, Labour is suggests a ban on handguns and rifles above 22 inch calibre, tighter certification rules for any gun and raising the age limit for ownership from 14 to at least 18. James Harding, London

# Gas 'furious' over price controls

Resources Editor British Gas yesterday rejected

a pricing package that would cut domestic bills by 10 per cent a year. The group threatened to force a monopoly inquiry if the package suggested by Ofgas,

the industry regulator, was imposed on Transco, British Gas's pipeline arm. A monopoly inquiry into the UK's gas transmission business loomed yesterday after a furious British Gas reaction to proposals for tougher price con-

trols on Transco, its pipeline

Mr Philip Rogerson, the executive deputy chairman of Transco, said the proposals from Ofgas, the industry regulator. would be devastating for the

employees, and could put the safety of the UK's gas system at risk. Up to half of Transco's 20,000 workforce might have to be laid off.

He said Transco would be Commission (MMC) if neces-

Ms Clare Spottiswoode, the director-general of Ofgas, had

company's shareholders and system, account for 43 per cent

contesting Ofgas's measures and would force a reference to the Monopolies and Mergers

proposed a new pricing for-mula for Transco which, she calculated, would reduce the average household gas bill by £30 (\$45.60) a year, or 10 per cent, rising to £50 over five

There would also be substantial savings for industrial users. The charges levied by Transco, which has monopoly control of the UK gas pipeline

of the typical gas bill. Ms Spottiswoode said the current price regime was "too generous" to shareholders, and needed to be adjusted to pass more benefits on to consumers.

Her proposals included marking down the value of Transco's assets from £17bn to £9bn-£11bn, and reducing the rate of return they were allowed to earn.

Although she proposed to leave the pricing formula unchanged at the rate of inflation minus 5 per cent (RPI-5), there would also be tighter controls on Transco's operating expenditures and its capital spending plans, although full allowance would be made for spending on safety.

The proposals will now be subject to a period of consultation and review lasting 10 weeks. If Transco refuses to said the regulator's proposals

accept Ofgas' final proposals. Ms Spottiswoode would have to refer the matter to the MMC. Although she is not obliged to accept the MMC's recommendations, she said yesterday she would "stick closely" to whatever it said.

However, she warned Transee that, in provoking an MMC referral, it risked having an even stricter price regime than the one she was proposing. The new controls have to be in place by April next year. Ms Spottiswoode's proposals

were generally tougher than the market had been expecting. and British Gas's share price fell by 27p to 201p - more than 10 per cent - largely on fears that the price cuts could force a cut in British Gas's

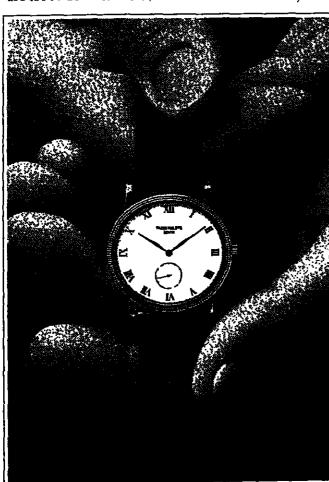
The Gas Consumers Council

Editorial Comment, Page 13

going ahead.

to customers.

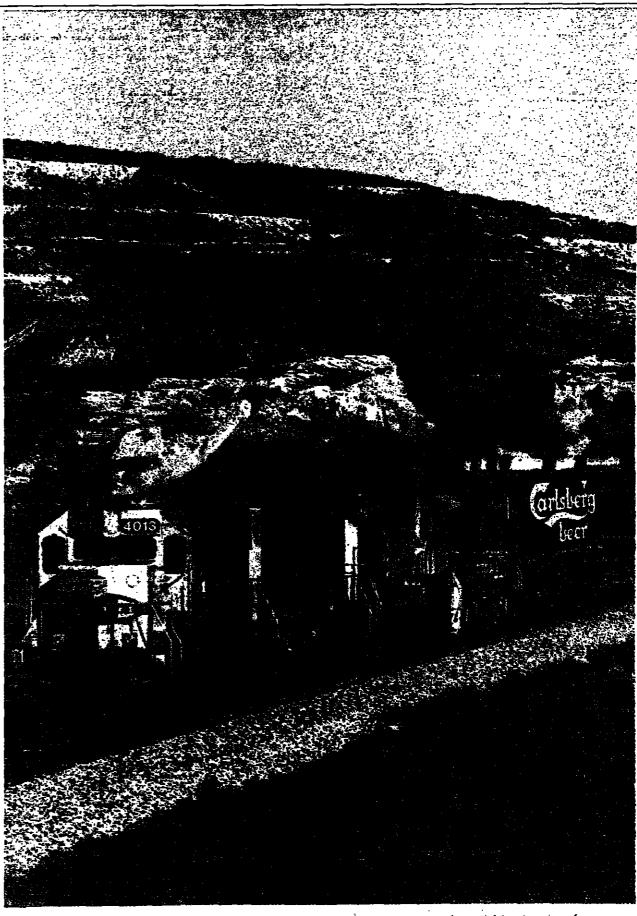
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Subsidy

levels for

proposed

**BSE** losses

Mr Franz Fischler, European

Union Commissioner for agri-

culture, will propose tomorrow

that the EU pays farmers Ecu650m (\$799.5m) out of the

1996 budget to compensate for

losses caused by the beef crisis Mr Fischler's proposal, which is expected to receive the backing of the full Commis-

sion at a meeting tomorrow, is

designed to compensate farm. ers for a drop in beef prices.

which have fallen on average

by 5 per cent across the union

since the crisis over the "mad

cow" disease broke seven

The Commission's decision

will coincide with a meeting of

the EU's standing veterinary committee which will consider

Mr Fischler's proposal that

Britain should be forced to

meet tougher conditions for

the production of gelatin and

tallow as a precondition to lift-

ing the ban on these products.

Germany and Austria.

remain opposed to easing the ban on British beef and beef

products and the decision on

the committee remains finely

balanced, according to EU offi-

cials. The vote could hinge on

whether France would support Mr Fischler's proposal, they

added. Mr Herve de Charette,

the French foreign minister,

said France wanted to help

weeks ago.

# Peugeot-Citroën signals expansion for British plant

By Haig Simonian and David Owen

Mr Jacques Calvet, head of Peugeot-Citroën, yesterday gave his strongest indication to date that the French car group would start building a second model at its Ryton plant in the English midlands.

to associate Ryton with the development of one of our future models in which we are placing very, very, very much hope ... We always thought Ryton was capable of building two types of car."

The new investment in Ryton will improve Peugeot's chances of capturing more of the all-important UK fleet market. Moreover, Mr Calvet said it would demonstrate to Japanese manufacturers, which have Mr Calvet said: "We have decided invested heavily in new production capacity in the UK, that European manufacturers could continue to compete effectively.

Mr Calvet declined to specify prospects. "The future of Ryton is demonstrating "team spirit". "Ryton which new model he had in mind. However, it is widely believed Ryton has been chosen to make the successor to the top-selling Peugeot 205 hatchback. This would require an investment of at least £100m (\$152m) in the antiquated Coventry plant.

Adding a second model to the 306 range manufactured at Ryton would raise output to more than 100,000 units from 80,000 last year. It would also guarantee Ryton's long-term assured," Mr Calvet said.

The Peugeot chairman gave no indication of when the second model would go into production. But analysts believe the group is working flat out to develop the new model and that it could enter production in two to three years.

Mr Calvet said Ryton had earned its place within the group as a result of the great strides it had made in productivity in recent years and for

is considered an essential part of our structure." he said.

The new investment will remove any lingering threat of closure over the plant which now employs 2,700 staff. Since it was bought by the group in 1978 there have been intermittent fears about Ryton's future. Since mid-1994, output at the plant has increased by almost one-third to 2.275 vehicles a week, while the

workforce has been whittled down.

helped Pengeot to lift its share of the UK car market from 1.5 per cent to more than 7 per cent in 1995.

The bulk of the new investment is expected to go on replacing the plant's paint shop, which is currently its biggest bottle-neck. Additional money will be spent on new robots to improve productivity still further.

Valeo sale, Page 17

# **Manufacturers** hit by input cost inflation

By Graham Bowley, Economics Staff

A big rise in oil and food prices caused the first increase in factory input cost inflation for a year last month, but manufacturers were still unable to pass the price rises on to their cus-

The price of goods leaving the factory gate rose at the slowest annual rate since December 1994 last month, the Office for National Statistics said yesterday. Manufacturers were again unable to raise prices in the face of a large build up of unsold goods and

weak export demand. Output price inflation climbed to a peak of 4.5 per cent last July as industry faced a sharp increase in raw material costs. But inflation has now fallen steadily since then as commodity prices have eased and manufacturers have been constrained by weak demand.

This slowdown in demand finally pushed manufacturing industry technically back into recession in March after outnut fell for two successive quarters.

Between March and April manufacturers' output prices rose 0.3 per cent to leave the annual inflation rate at 3.2 per cent, compared with 3.5 per cent in March.

This was despite signs of a resurgence in some commodity prices which led to the first rise in annual cost inflation since April last year.

Industry's fuel and raw material costs grew 1.4 per cent between March and April, the largest rise since December, and were 3.1 per cent higher than the same month last year. However, most of the monthly increase was due to a surge in oil prices, which economists said was unlikely to be sustained. Crude oil prices rose

same month last year. Prices of imported food and chemicals also rose sharply. Excluding food, drink, tobacco, and petroleum, the "core" measure of manufacturers' input costs fell 0.3 per cent between March and April - the first decline for more than two vears. The "core" measure of output price inflation rose 28 per cent in the year to April,

9.5 per cent in April and were

25.8 per cent higher than the

since November 1994. The figures, which come ahead of the Bank of England's quarterly Inflation Report today, were stronger than the City of London expected.

the lowest rate of inflation

But most economists were nevertheless encouraged by the further decline in output price inflation, the measure thought to have most influence on retail price inflation.

However, the pick up in consumer demand expected by the government and the City in the cond half of this year may make it easier for manufacturers to pass on earlier input price rises to their customers.

Martin Wolf, Page 12

# Diesel vehicle pollution limits exceeded

By Leyla Boulton,

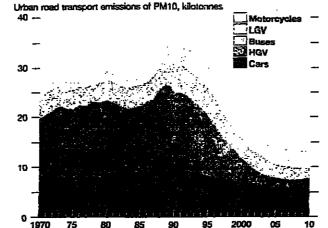
Britain regularly exceeds its own tough limits for particulate emissions from diesel vehicles which kill thousands of people a year but is unlikely to take action to fix the problem, a report said yesterday. The report, by the Quality of

Urban Air Review Group (Quarg), set up by the government, said that "stringent additional controls" on particulates were "essential" to reduce emissions in line with officially recommended targets. It said diesel cars, trucks, and buses accounted for up to

80 per cent of emissions of PM10 - particles measuring up to one hundredth of a millimetre - in big cities, where the threat to health was greatest. The government's recommended standard of 50 microgrammes per cubic metre of air on a 24-hour average was vio-

lated on 139 days from 1992 to 1994. It added that the only way of eradicating the problem would be to slash road traffic in big cities by 90 per cent. An alternative would be to ban diesel cars, trucks and lorries

Particulate emissions take their toll



estimates that several thousand elderly people's deaths are accelerated by the particulates, which worsen heart and respiratory conditions.

The government is expected to respond to the particulates threat in a national air quality strategy later this summer. However, after the government consultation paper on transofficials said radical measures to curb car use or reduce diesel vehicle numbers were unlikely. The government is pinning

its hopes for a more modest alleviation of the problem - a 25 per cent reduction in particulate emissions by 2010 - on European Union curbs on car emissions, and changes in the design of car engines and the

### 'Green' tax system considered

The opposition Labour party is to consider a "green" overbaul of the tax system which would cut employers' National Insurance contributions and tax pollution to create

A report to be published next month by the Institute for Public Policy Research, an influential contributor to Labour policy, says cutting Insurance contributions from a top rate of 10.2 per cent to around 3 per cent could create three quarters of a million jobs by 2005

host of compensating increases in environmentaly

warned that even these benefits would be "largely lost" if the market share of diesel vehicles, presently at 20 per cent in Britain, was allowed to edge up to the 50 per cent level found in other European countries. "Future emissions of PM10 in cities will depend crucially on the amount of diesel fuel consumed and the proporfriendly taxation would help the environment without damaging tax revenues or industrial competitiveness.

The governing Conservative government has already taken a few steps in the direction of green taxation by introducing the landfill tax - with an offsetting decrease in national insurance contributions.

It has also mandated a 5 per cent annual increase in fuel duty to help combat global

A shift in taxation away from labour and towards the environment is already under way in Scandinavia and under consideration in Germany.

The study of particulates has tended to lag behind that of other types of air pollution, but the latest recommendations by Quarg follow recent scientific evidence that the problem is more serious than initially thought. A detailed evaluation of a particularly severe bout of air particulate pollution in London in December 1991 showed a 10 per cent increase

states overcome the difficulties caused by BSE but also wanted "maximum guarantees from the scientific committee". EU officials said the cost of the subsidies proposed by Mr Fischler would be contained within the Common Agricultural Policy budget for 1996 as savings were being made in others areas, such as export restitutions.

One EU official said the subsidies had been calculated to compensate farmers for the drop in prices as well as falls in consumption, pointing out that farmers in Germany had suffered from a fall in prices as well as dramatic falls in consumption, while in the UK there were signs that greater quantities of meat were now being sold.

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### port last month rejected tartion of diesel vehicles in the composition of fuel. from big town centres. in mortality in the capital. The Department of Health gets for curbing air pollution. But the Quarg report also Shareholders approve Liffe merger with LCE

Financial Times Reporters

The shareholders of the London Commodity Exchange have formally approved the merger of the market with the larger London International Financial Futures and Options Exchange (Liffe).

The deal, which was originally announced in November

mergers or link-ups between international derivatives exchanges, which are under growing pressures from members to focus their resources more effectively in an increasingly competitive market.

LCE, which lists futures contracts for coffee, sugar and

last year, is one of a number of had voted unanimously to bring to an end its 32 years of independent existence. Changes to agricultural price

support regimes in both North America and Europe, together with the growth of world production in commodities such as cocoa and sugar, are increasing the demand for

Liffe is offering LCE shareholders either cash or a combination of cash and a new class of Liffe shares for some 8m LCE shares at their net asset value. The LCE shares were worth some £9.5m (\$14.4m) when the deal was agreed last

Liffe agreed a strategic link-up with both the Chicago

Board Of Trade and the Tokyo International Financial Futures Exchange (Tiffe) last year and expects to begin trading the Chicago market's financial contracts during the European morning later this year. Its own financial contracts will be traded in Chicago after the close of the

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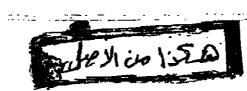
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### IN BRIEF

### JP Morgan sets out \$2bn plan for IT

J. P. Morgan is to farm out much of its routine information technology operations in one of the biggest outsourcing deals of its kind. The US bank said it had reached an agreement with a group of technology companies under which it will pay \$2bn over seven years. Page 19

Bondi defends Montedison structure Mr Enrico Bondi, chief executive of Montedison has defended the structure of the Italian agribusiness, chemicals and energy group against a proposal that the company should be broken up. Page 16

American Express of the US and Accor, the French-based hotels and leisure group, have signed an agreement covering a co-branded payment card. which will be launched later this year. The card is the latest in a series of co-operation deals American Express has concluded with other groups. Page 17

SIA up 11.7% despite setback

Singapore Airlines announced a healthy increase in group profit for 1995-96, but its core business suffered a decline in profits after being hit by rising fuel costs and stiff competition. Group net profit rose 11.7 per cent to S\$1.03bn (US\$729.5m) in the year to March 31 1996, while revenues rose 5.1 per cent to S\$6.89bn. Page 18

**Beijing watches Hongkong Telecom** The Hong Kong arm of China's ministry of post and telecommunications said it was taking an active interest in developments concerning Hongkong Telecom, but remained guarded about whether the ministry was seeking a stake in the territory's dominant operator. Page 18

Fenner rises as profits surge 50% Shares in Fenner rose 9p to 170p as the UK industrial products group reported a better-than-expected 50 per cent rise in interim pre-tax profits to £8.2m (\$12.46m). Sales rose by a fifth to £126.3m in the six months to February 29. Page 20

Standard Life plans Bank of Scotland sale Bank of Scotland's share price climbed 14p to 2521/sp after Standard Life, the UK assurance group, said it was working on the sale of all or part of its 32.2 per cent stake in the bank. But bankers said the stake was more likely to be placed with UK institutional investors than sold to a potential predator, and doubted that the sale would trigger a bid. Page 21

Ladbroke ponders options for Hilton Ladbroke, the leisure group which owns Hilton International, said talks were continuing with Hilton Hotels of the US on "a range of ways of re-uniting the Hilton brand." Options include a possible merger of the hotel activities. Page 21

Bell Cable losses up despite revenue rise Bell Cablemedia, the UK's third largest cable operator, reported deeper losses and a sharp rise in income for the first quarter as it attracted more subscribers while building its network. Page 21

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GM	17	Taiwan Aerospaca	
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Hongkong Telecom	18	1000	1
IBM	19	I CK AY II KUUSU KOS	1
ICO Global Comms	5	Tryg-Baltica	1
Iberdrola		Unibank	
Indian Aluminium		Unisys	•
JP Morgan	19	Valeo	1

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V	larket	<b>Statistics</b>
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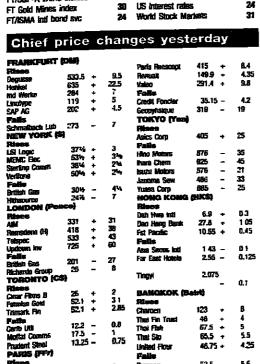
Micom Communications

Marubeni

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# OTHE FINANCIAL TIMES LIMITED 1996

### By David Owen and Heig Simonian in Paris

The symbolic and unexpected

It confirms an acceleration in

stock market has been buoyant. However, analysts were yesterday generally downbeat in their interpretation of the announcement. "I see this as a negative sign - it shows the government feels unable to undertake a

holders were concerned that the culture of the group had not changed since its initial flotation in November 1994. The fact that the state was "crossing the Rubicon" of going below 50 per cent might at least make them think that change was in process.

"We provide the plumbing for

the Internet," explains Mr Cham-

bers, "the intersections for the

information highway". Cisco has

supplied more than 80 per cent of the "routers" - data traffic direc-

The company is also the domi-

nant supplier of equipment used

to build enterprise networks,

including creating links between

proprietary IBM-style networks

and the newer intranets based on

Cisco's history echoes that of

many other Silicon Valley high-

tech ventures. Founded in 1984

by two Stanford University aca-

demics, the business grew out of a project to link the university's

dissimilar computer networks in

the computer science department

The solution, devised by Mr

Leonard Bosack and Mrs Sandy Lerner, a husband and wife team,

was a high-speed router that for-

wards data from one computer to

another in such a way that the

data can be read by any kind of

It was only when Stanford refused to allow the couple to

build routers for friends at other

colleges and Silicon Valley com-

puter companies, that they

Good fortune and good timing

may have given Cisco a solid

start, but the company's remark-

able growth record is largely the

result of astute management, according to industry analysts.

has been the strength of its man-

agement," says Mr Amar Senan, analyst at Volpe, Welty & Co. Mr Chambers, who became chief

executive last year, is a veteran of Wang. He took on the job from

Mr John Morgridge, now Cisco

One of the hallmarks of Cisco

and the business school.

computer on the network.

formed Cisco

tors - for Internet links.

Internet standards.

The announcement, which came after the stock market

It emphasised that the move, which will reduce the state's stake to 46 per cent, was only a first step preceding a wider placing. It said it would allow Renault to reinforce its core shareholder base and give the company "the same capacity for

**Fast** 

1990 91 92 93 94 95 96

chairman and previously of Honeywell, Stratus Computers

and Grid Systems. Both execu-

tives have seen high-tech compa-

nies grow, only to falter. They

are well aware of the danger of

failing to keep pace with technol-

ogy change, and the hubris that can blind a successful company

In contrast, Cisco has been

swift to adapt to new trends in

the fast-changing field of networking technology. "We have no technology religion," says Mr

Chambers, "we provide whatever

technology the customer wants."

face competition from switches.

an alternative approach to net-

work control, for example, the

company moved quickly to

broaden its product line through

mainframes are to IBM - both

companies are the bellwethers in

their respective markets and derive the bulk of their revenues

from these products," says Mr

Senan. "While IBM was slow to

realise the impact of personal

computers on its mainframe busi-

"Routers are to Cisco what

When Cisco's routers began to

to potential pitfalls.

acquisitions.

route

strategic manoeuvre" as its rivals. Analysts suggested, by contrast, the decision to sell only

ing below the FFr165 issue price. Yesterday, they closed down FFr0.90 at FFr149.90. In March, Renault unveiled a surprise 41 per cent decline to FFr2.14bn in 1995 net profits.

Yesterday's move raised questions about the future of the 11.4

ness, Cisco readily embraced switching."

Sales of local area network

switches, used to speed up the

delivery of data from one com-

puter to another on an office net-

work, represent about 30 per cent of Cisco's revenues and the com-

pany holds a 35-40 per cent share

in a market that is expected to

the field of wide area network

switching through its pending acquisition of StrataCom, in a

stock swap valued at about \$4bn.

StrataCom, another Silicon Val-

ley company, is the leading pro-

ducer of switching equipment for

The acquisition will further

broaden Cisco's product line and

place it in pole position to address the pressing challenge of

rebuilding the Internet to handle

a growing volume of data traffic.

"Our role," says Mr Chambers, "is to expand the size of the inter-

sections to ensure that there are

high-speed data networks.

Cisco's next step will be into

grow to about \$10bn by 1999.

# ing a failed attempt to merge the two companies. Analysts said Volvo would find it more difficult

Valeo sale, Page 17

John Chambers President and chief executive

The StrataCom purchase,

which is expected to close in the

series of 10 acquisitions that

Cisco has made over the past

three years. "The conventional

wisdom is that half of all acquisi-tions in the high-technology industry fail," he acknowledges, "but we feel we are reversing

Critical to the success of an

acquisition, he says, is that it

must produce a "short-term win".

in dog years. We cram seven

years into every year . . . the pace is unbelievable. Unless a merger

shows results very quickly, peo-

usually lead to lay-offs, Cisco expects none. "We have 600 job openings and StrataCom has

100," says Mr Chambers. Keeping

pace with the rapid growth of its

markets is Cisco's biggest chal-

While mergers and acquisitions

conventional wisdom."

ple lose interest."

current quarter, is the latest in a

It has a market capitalisation of \$32bn yet Cisco is barely known outside its industry

earnest opportunity.

The industry ministry also said yesterday that Endesa, the highly profitable electricity generator which is 66 per cent state-owned. would be privatised in a series of tranches as a single unit, thereby

government is to sell its 10 per

cent stake in Repsol, the energy, gas and chemicals group, at the

The statement, the first declaration of intent by the new gov-ernment of its privatisation policy, said the creation of a privatisation office was under consideration in order to channel

Along with the sale of Repsol, the government said it would sell the 3 per cent stake it holds in Gas Natural, the major domestic gas distributor which is 45 per

Endesa, which has consistently shown double-digit earnings growth, could in theory tap the

The statement said that over the next four years the govern-ment intended to pull out of companies in other industrial sectors. owned, and strongly state-subsidised, international airline Iberia and the domestic carrier Aviaco. However, various privatisation procedures could be employed for

fore subject to a separate decision making process. Louise Kehoe | Results, Page 16

# France to own less than half of Renault

The French state is to sell a further 6 per cent of Renault, tak-ing its stake in Europe's thirdlargest carmaker to below 50 per

move, which would raise more than FFr2bn (\$382m) at present market prices, is the second large privatisation launched in France this month.

the country's privatisation pro-gramme at a time when the Paris

There is no substitute for being

in the right business at the right

time," says Mr John Chambers,

president and chief executive of

the exploding market for data

networking equipment, and the

time has been right for the past

five years. As the leading sup-

plier of equipment used to link the global Internet and corporate

computer networks. Cisco has

grown from annual revenues of

\$183m in 1991 to almost \$2bn in

fiscal 1995, ended July 30. Sales

in the first three quarters of 1996,

at \$2.5bn, have surpassed last

Quarter after quarter, Cisco has delighted Wall Street with

higher than expected earnings

growth. Third-quarter results.

reported last week, were no

exception. Net income for the

period jumped 84 per cent to \$230m, or 39 cents a share, on sales of \$985m, a 93 per cent

increase over the same period

last year. Gross margins were 65

Cisco's share price has climbed in unison with its earnings.

Shares worth \$10,000 when the

company went public in 1990,

would now be worth more than

\$800,000. With a market capitalis-

ation of more than \$32bn, Cisco

ranks behind only Intel and

However, Cisco is relatively lit-

tle known outside the high-tech-

nology industry, perhaps because

its products are complex and its

technologies arcane. But Cisco

has played every bit as important

a role in the growth of interne-

tworking as companies such as

Netscape Communications and

Sun Microsystems, which get

Microsoft on the Nasdaq.

per cent of revenues.

For Cisco, the right business is

Cisco Systems.

year's total.

Providing the

plumbing for

the Internet

full-scale privatisation," one said. Another analyst said share-

closed, said the sale would be via an invitation to tender to be held shortly. It said the new share-holders would join the hardcore group of "partner shareholders" set up at the time of the company's initial flotation.

6 per cent represented a tacit admission that a wider placing would be difficult in the short The company's shares are trad-

per cent stake in Renault still

1.0

### to sell at an acceptable price. "We have very clearly stated our intention to divest our holding, but we think today's share price is too low," said Mr Per Lõjdquist, a Volvo official.

The government last week began preparations to sell most of its 57 per cent stake in Assur-ances Générales de France, one of the largest French insurers. Peugeot chief toughens stance on

> squashing market rumours that it would be broken up before dis-

the sale of state-owned equity.

The sale of Repsol shares, via a market placement, cannot take place before February next year. according to the 12-month lockout period that was written into the offer document last February when the government globally offered 11 per cent of its stake in the energy company. That disposal, which was strongly over subscribed, raised \$1.1m.

cent owned by Repsol.

markets ahead of Repsol.

In an indication that the government believed Endesa to be worth more than the some of its parts, the statement discounted expectations that the parent company would sell off separately the stakes that Endesa holds in private sector utilities, notably a controlling shareholding in Sevillana de Electricidad, the generator servings southern Spain.

projected disposals.

A series of other blue-chip Spanish companies such as Tele-fónica, the telecoms operator, and Argentaria, the banking group, are controlled by the finance ministry and are there-

# Japanese groups to invest up to Y13bn in Paramount

### By William Dawkins in Tokyo and Alice Rawsthorn in London

Corporate Japan is shopping in Hollywood again. Marubeni, the trading company, and Toho, the largest Japanese film producer, have announced plans to invest in films produced by the Para-mount movie studio.

The Japanese companies, which are already involved in a consortium behind The Relic, a thriller produced by Paramount and scheduled for release this summer, said they intended to invest up to Y13bn (\$125m) over the next three years in films produced by Paramount, a subsidiary of the Viacom entertainment In return for their investment

duces the Japanese series of God- drinks group. zilla films and owns the Toho-Towa film distribution company, will receive the Japanese distribution, broadcasting and video rights for the movies concerned. The announcement from Maru-beni and Toho follows a turbu-

lent period for the first wave of Japanese investors in Hollywood. Sony, the consumer electronics company, paid \$3.4bn for the Columbia and TriStar studios six years ago: this was followed by Matsushita's \$6.1bn acquisition of the MCA entertainment group a year later. Last year the invest-ments went sour when Sony wrote down the value of Columbia-TriStar - admitting that it had over-paid for the studios and Matsushita sold control of

Marubeni, which has previ-ously restricted its film funding to Japanese productions, and plans to liaise with Paramount. They intend to invest a maximum of Y1.5bn in each film,

budgets of Y4bn to Y6bn. Their investment will be divided equally between them. The deal is intended to help Marubeni and Toho purchase the Japanese distribution rights to US movies which, according to

Toho-Towa, have become almost prohibitively expensive. For Paramount, a liaison with Marubeni and Toho, would form part of the trend for US movie producers to find new sources of funding for Marubeni and Toho, which pro- MCA to Seagram, the Canadian increasingly costly productions.

# T&N hit by asbestos appeal

### By Tim Burt in London

T&N, the UK engineering group. yesterday admitted that attempts to cap its asbestos liabilities had suffered a setback in the US

Shares in the former asbestos producer fell 12p to 163p.

Three US appeal judges have ruled that a so-called "Georgine" settlement - in which 20 asbestos companies agreed fixed compensation payments for asbestos vic-

tims - failed to meet the criteria

of a class action. T&N had hoped the settlement would reduce its exposure to personal injury claims in the US. where it has paid more than £300m (\$453m) in legal settlements during the past 10 years. However, judges on the US would lead to a gradual reduction activities.

appeal court's Third Circuit have decided that the companies failed ing into force. Moreover, they ruled that the variety of compensation claims and different medical conditions among victims meant the systems would not constitute a class settlement.

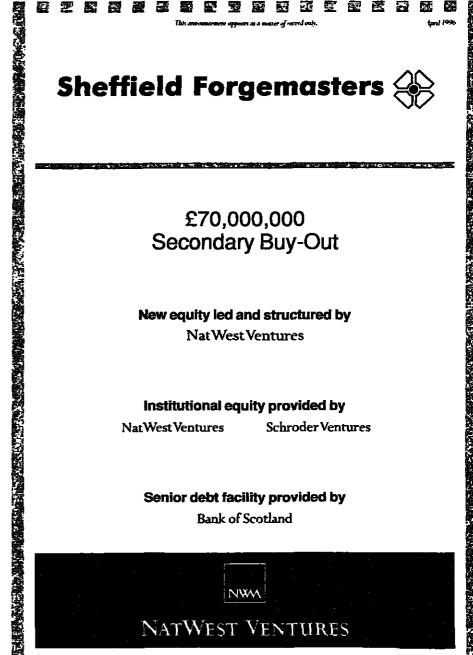
The decision follows a sixmonth appeal by lawyers acting for personal injury claimants. blow, but said the Center for Claims Resolution - representing the companies - would probably appeal. That could take up to six months and the case could end

T&N described the ruling as a up before the Supreme Court. When the class action was first

in asbestos-related provisions which have undermined its profit to give adequate notice of the fixed compensation systems coming into force. Moreover, they growth in recent years. However, yesterday it said: "The rate of decline in new claims could slow over the next three years." In 1994, the company made a

surprise £100m provision to meet claims from asbestos victims who opted out of the Georgine settlement. That led to asbestos-related charges of £140m in 1994, falling to £51.3m last year. T&N is expected to set aside a further £50m this year and next. Despite the latest ruling, it said the provi-sions would provide more than enough cover for all existing

T&N has long regarded the asbestos legacy as a diversion agreed in 1994, T&N predicted it from its ongoing engineering



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Notes due 2002 For the Interest Period 13th May, 1996 to 13th November, 1996, the Notes will carry an Inserest Rate of 5.5% per annum with Coupon Amounts of U.S. 528.11, U.S. \$281.1) and U.S. \$2,811.11 per U.S. \$1,000. U.S. \$10,000 and U.S. \$100,000 Notes respectively. The relevant Interest Payment Date will be 13th November, 1996.

### **COMPANIES AND FINANCE: EUROPE**

# Repsol boosts first-quarter profits by 8%

By Tom Burns in Madrid

Repsol, the Spanish oil, gas and chemicals group which is a candidate for full privatisation, lifted its first-quarter net profits after minorities by 8 per cent to Pta35.4bn (\$277.9m), in line with estimates.

The group said it would propose a total gross dividend of Pta171 a share, 22 per cent up on last year's payment.

Sharply depressed income from its chemical division, and the strength of the peseta, which hit the group's activities

The chief executive of

Montedison yesterday defended the structure of the Italian

agribusiness, chemicals and

energy group against one

important shareholder's pro-

posal that the company should

Mr Enrico Bondi, who is also

chief executive of Ferruzzi Fin-

anziaria (Ferfin), Montedison's

largest shareholder, told a meeting of analysts that the

group's structure "represented

a well-balanced portfolio and

offered numerous possibilities

Montedison's shares rose

nearly 3.5 per cent yesterday

after the publication of leaked

in Milan

be broken up.

for expansion".

across the board, were offset by increased Brent crude oil prices and higher international refining margins.

The three-month result follows significant changes in Repsol's shareholding structure, and comes at a time of considerable speculation over a top-level shake-up for the group following the formation of a new centre-right government this month.

Mr Oscar Fanjul, the energetic chairman who has built up Repsol's profile since the 1980s and engineered a series

extracts from a letter to Mr

Luigi Lucchini, Montedison's

chairman, from Mr Luca Pad-

ulli, an Italian financier who

runs Codelouf & Co. Codelouf,

a Gibraltar-registered fund, owns about 4 per cent of Mont-

In the letter, Mr Padulli says a gradual break-up of Montedi-

son into Edison, the quoted

energy subsidiary. Eridania

Béghin-Say, the Paris-quoted

agribusiness group, and Antibi-

oticos, the pharmaceuticals

operation, would create more

value for shareholders. The

remaining chemicals and engi-

neering operations would stay

Mr Padulli also criticised the

fact that Ferfin owned only 32

per cent of Montedison but

under Montedison's control.

of successful disposals of government-held equity in the group, was appointed by the previous Socialist party administration. He could now be forced to stand down in favour of a new chief executive nominated by the ruling Popular

Although Mr Fanjul has consistently advocated the sell-off of state-held equity - Sepi, the industry ministry's holding company, in February reduced its 21 per cent stake in Repsol to 10 per cent - the new government is likely to seek some-

management of the two

Mr Bondi said the decisions

of recent Montedison share-

holder meetings, and the 1993

restructuring plan aimed at rescuing Ferfin and Montedi-

son from the aftermath of mis-

management and corruption.

had gone "in the direction of

preserving the existing group

Codelouf letter set the scene for what could be a stormy

Montedison shareholder assem-

Mr Massimo Fortuzzi, invest-

ment manager for Finanza &

Futuro, a large Italian fund

Bondi yesterday that uncer-

tainty about last year's Super-

ment group, warned Mr

bly on June 12 or 13.

Yesterday's meeting and the

structure"

were almost identical.

body associated with the Popu-shareholders in the group lar party to complete the privatisation process.

The possible changeover is viewed with some trepidation by analysts, who have admired Mr Fanjul's management style and the strategy he has mapped out. They say Mr Fanjul's removal could unsettle shareholders, such as US pension funds which together own 25 per cent of Repsol, and temporarily damage Repsol's share

Mr Fanjul appears to have the support of a hard core of

'baleful shadow" over Mont-

edison's share price. The plan

aimed to merge Ferfin with

Gemina, the Italian investment

year after Gemina subsidiaries

In reply, Mr Bondi said the

SuperGemina plan would not be retabled, adding that there

were no plans to merge Ferfin

Finanza & Futuro is controlled by Deutsche Bank and

owns about 2 per cent of Mont-

edison. Mr Fortuzzi and other

fund managers have promised

to speak out in annual meet-

ings against those Italian com-

panies which seem to withhold

information or discriminate

between shareholders.

hit financial difficulties.

and Montedison.

formed by Banco Bilbao Vizcaya, the domestic banking group, Pemex, the Mexican oil group, and La Caixa, the dominant domestic savings bank. In the past two months La Caixa

has spent some Pta67bn on 5 per cent of Repsol, a similar stake to those held by BBV and by Pemex.

The government, however, remains the biggest individual shareholder though the 10 per cent owned by Sepi, and it continues to have the final word on who runs Repsol.

### Montedison

Share price relative to the Const index



One key to whether Codelouf's proposal gets any further will be the attitude of Mediobanca, the Milan merchant bank which owns nearly 4 per cent of Montedison and masterminded the SuperGemina plan.

# stockbroking subsidiary

By Hilary Barnes in Copenhagen

Unibank, the Danish bank, is to acquire ABB Aros, the stockbroking subsidiary of Asea Brown Boveri, the large Swiss-Swedish engineering group, to form a new Nordic investment bank.

Aros has subsidiaries in Sweden, Oslo, Helsinki and New York with a total staff of 104. Unibank plans to merge the Aros units into its own share trading, merger and acquisition and corporate finance operations to form a division with 225 staff.

This will put it in line with some of the other large Nordic broking companies, such as Alfred Berg and Carnegie. "The acquisition of Aros is an important step forward in the development of our Nordic strategy," said Mr Thorkil Krarup, Unibank chief executive.

"It is no secret that we took the initiative for this deal. Aros is the perfect fit for us, with its strength in equities trading in Sweden and Finland, while we are strong in Copenhagen and Oslo," said Mr Krarup. Unibank and ABB have agreed not to disclose any financial details concerning the sale of

Unibank yesterday announced a series of organisation changes designed to improve head-office efficiency. One consolidates equities trading and

research with equity issues and M&A business, including Aros. The unit will be managed by Mr Peter Lybecker, previously head of Unibank's finance department, and Mr Richard Montgomery, who until now has been business area manager for ABB's stockbroking and investment management activities.

### Unibank to acquire ABB's | Launch and start-up costs hit earnings at Ford-Werke

the second biggest US carmaker, has suffered a sharp fall in net profit, to DM270.5m (\$177.4m) in 1995 from DM676.2m a year earlier, reports AFX News from Cologne.

Mr Albert Caspers, chairman, blamed the decline on the cost of the company's product offensive. "In one year, we had to overcome the market launch and start-up costs of the Scorpio, Escort, Fiesta and Galaxy models, as well as the new Zetec-SE generation of engines," Mr Caspers said.

He said although the company largely offset these costs through higher volumes and cost-cutting, it was unable to further compensate for the negative effects of exchange rate fluctuations. In the first four months of 1996, Ford Werke had sales of DM9.4bn, up from

Ford-Werke, the German subsidiary of DM8.8bn earlier. Unit sales in the period were 405,000, up 9.2 per cent from 371,000 a year earlier, with exports climbing 10.6 per cent to 250,000 from 226,000. Production slipped 3 per cent to 357.000 units from 368.000.

> Ford-Werke said in its annual report that it expected higher sales and output in 1995 compared with 1995, when the it recorded unit sales of 1.04m and output of 988,524 vehicles. Mr Caspers said the company aimed to expand its market share in 1996. "After a promising start to the year, I am confident that we will achieve our 1996 targets," he added.

In the first four months, Ford-Werke raised its domestic car market share to 11.8 per cent from 11.7 per cent a year earlier. In 1995, it boosted domestic market share by LI percentage points to 11.3 per cent.

### NEWS DIGEST

# Skandia registers strong growth

Skandia, Sweden's biggest insurance group, more than doubled first-quarter profits, from SKr170m a year ago to SKr350m (\$51.6m). The increase was driven by improvements in life insurance and savings linked operations. Mr Björn Wolrath, chief executive, said there had been a strong improvement in business in the UK and US compared with the same stage last year.

Non-life insurance and reinsurance premium income fell from SKrSbn to SKr7bn because of a US divestment and currency changes. Life and savings-linked premium income, however, jumped from SKr6.4bn to SKr7.7bn, to raise total premium income from SKr14.4bn to SKr14.7bn.

Hugh Carnegy, Stockholm

### Allergan merger talks dropped

Talks on a \$2.5bn merger between Pharmacia & Upjohn and Allergan, the Californian eye and skin care products company, have been abandoned. Allergan said the talks had involved a possible share-for-share merger with a "pooling of interest" accounting treatment. It said the pooling treatment was "not feasible to Allergan", without elaborating.

Pharmacia & Upjohn, which refused to comment on the ending of talks, was formed in 1995 by a friendly merger of its Swedish and US parents. Mr John Zabriskie, chief executive, has said that one of the advantages of the friendly merger was that the new company had not been saddled with debt and was therefore free to make acquisitions. But the company is in effect prevented from making significant disposals because of tax charges that would be triggered; the structure of the friendly merger avoided incurring goodwill and tax charges

### Tryg-Baltica to raise DKr2.5bn

Tryg-Baltica, which became Denmark's largest insurance company last year after acquiring most of the non-life assets of the Baltica group, is to sell 4m shares, about 20 per cent of its share capital. The shares, with a face value of DKr20 each. will be offered for sale through the book-building method with an indicative price of DKr265-DKr300 which could raise up to DKr2.5hn (\$425m). The offer will be open from May 20 to

### Rain helps Spain's Iberdrola

Abundant rainfall helped Iberdrola, Spain's leading private-sector electricity utility, achieve a 14 per cent rise in first-quarter consolidated net profit to Pta34.01bn (\$267m). The gain was partly due to a shift to cheap hydroelectric production, which rose 146 per cent on the same quarter last year, when Spain was still in the throes of a five-year drought. Group turnover rose 2 per cent to Pta218.05bn.

The profit rise also reflected lower debt-servicing costs, with group debt declining by Pta12.3bn from the Pta1,473bn level at the end of last year. Pre-tax earnings were 20 per cent up at Pta49.92bn, while operating profits were 18 per cent up at David White, Madrid

### AGF offer oversubscribed

The French ministry of finance indicated yesterday that the 38.6m shares of AGF, the French insurer, offered to investors was 150 per cent subscribed during the first week since the offer opened, with 90 per cent of the allocation taken by foreign institutions. The government has announced approval for the sale of most of its stake, representing 45 per cent of the Andrew Jack, Paris

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# Bankers Trust Company, London Agent Bank KfW '95: Positive Promotional Balance The annual report as well as further information will be sent to you on request.

### Performance 1995

- 80,000 commitments totalling more than DM 42.7 billion
- DM 27.2 billion in investment finance for the German economy, of which DM 16.9 billion was for the eastern Länder
  - DM 13.5 billion for medium-sized enterprises. thus securing and creating 840,000 jobs
- DM 96 billion for the modernization and renovation of more than 600,000 homes in the new Länder
- DM 10.1 billion in export and project finance
- DM 5.2 billion for the promotion of developing
- Advisory Services for the transition countries of Central and Eastern Europe on behalf of the Federal Government

Key Figures of the 1995 Annual Accounts: 

### **Promotional Programmes 1996**

Current challenges in Germany - investment and jobs are being met by KfW measures to enhance growth and increase employment.

- Venture capital (for innovative small and mediumsized enterprises)
- Liquidity aid loans to enterprises for bridging financial bottleneck situations
- Loan programme for municipal infrastructure measures - ranging from waste disposal and transport projects to water supply
- Loans for energy saving measures in residential buildings in the old Länder



Palmengartenstrasse 5-9 · D-60325 Frankfurt am Main Phone (69) 7431-0 · Fax (69) 7431-2944 KfW, Branch Berlin Charlottenstrasse 33/33a · D-10117 Berlin

Phone (30) 202640 · Fax (30) 20264-188

The Management Board of PLIVA d.d. at its meeting held on 9 May 1996 has convened a meeting of the

# **GENERAL ASSEMBLY**

of



to be held at 1 p.m. on 28 June 1996. PLIVA's registered office is at Ulica grada Vukovara 49, Zagreb, Croatia.

The meeting of the General Assembly shall take place at Trg Stjepana Radiça 4 (in the Concert Hall "Vatroslav Lisinski") Zagreb, Croatia.

AGENDA

- 1. Presentation of financial reports for the year 1995:
- (a) Report of the Management Board;
- (b) Report of the Supervisory Board. 2. Appropriation of profit for the year 1995.
- 3. Approval of the activities of the Management Board and the Supervisory Board.

DRAFT RESOLUTIONS TO BE DISCUSSED AT THE MEETING The Management Board and the Supervisory Board of PLIVA d.d. propose to the General Assembly that the following resolutions be considered:

- 1. The reports for the year 1995 presented by the Management Board and the Supervisory Board be adopted.
- 2. The profit realised in the financial year 1995 in the amount of HRK 229,066,987.47 (after tax), shall be appropriated as follows as a dividend to relevant shareholders and as retained profit.

The dividend to be distributed to relevant shareholders in the amount of HRK 114,500,000.00 (which equals HRK 235.50 per each share) has already been paid to the shareholders (on the register on 9 April 1996) as an interim dividend, and no other further dividend shall be paid in respect of 1995.

The amount of HRK 114,566,987.47 shall be credited to reserves as a retained profit. 3. The acts of the Management Board and the Supervisory Board are approved.

CONDITIONS FOR PARTICIPATION AT THE MEETING OF THE GENERAL ASSEMBLY AND RIGHT TO VOTE Shareholders of PLIVA d.d. shall be entitled to attend and vote at

· they deposit their Share Certificates until the end of the General Assembly with the Company's Share Office at Prilaz baruna Filipovica 25, Zagreb, Croatia by 18 June 1996 (the Share Office is open every business day excluding Saturdays from 9 a.m. till 1 p.m.), or with a public notary and deliver the relevant certificate of the public notary to the Company's Share Office in Zagreb, by 18 June 1996;

the General Assembly provided that:

- they lodge their application for participation at the General Assembly with the Company's Share Office at Prilaz baruna Filipovica 25, Zagreb, Croatia by 18 June 1996 at the latest. Forms of application are available from the office of PUVA Limited at Hedges House, 153-155 Regent Street, London W1R 7FD. Great Britain.

Holders of Global Depositary Receipts (GDRs) will have no voting rights with respect to the Deposited Shares (as defined in the terms and conditions endorsed on each GDR certificate). The Depositary (Bankers Trust Company) will exercise any voring rights in respect of the Deposited Shares in accordance with Condition 12 of the GDRs. Shares which have been withdrawn from the depositary facility and transferred on PLIVA's register of members to a person other than the Depositary or its nominee may be voted by the holders thereof.

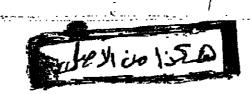
Shareholders are entitled to appoint proxies. Proxies need to be appointed by a valid power of attorney granted by the shareholder or in the case of a corporate shareholder a duly appointed representative in accordance with the provisions of Article 11 of the Articles of Association. Appointments of proxies need to be deposited with the Company's Share Office at Prilaz baruna Filipovica 25, Zagreb, Croatia by 18 June 1996. Forms of proxy are available from the Company's Share Office at the above address or from the offices of PLIVA Limited at Hedges House, 153-155 Regent Street, London W1R 7FD, Great Britain.

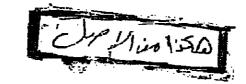
Copies of the reports referred to in item 1 of the Agenda can be obtained from the Company's Share Office at Prilaz baruna Filipovica 25, Zagreb, Croatia or the office of PLIVA Limited at Hedges House, 153-155 Regent Street, London W1R 7FD, Great

Copies of the service contracts of the members of the Management Board are available for inspection at PLIVA's registered office during normal business hours on any business day (excluding Saturdays) and will be at the place of the meeting of the General Assembly from 15 minutes prior to and during the

Should the meeting of the General Assembly of 28 June 1996 be postponed due to the lack of the quorum set out by the Articles of Association, the reconvened meeting shall be held at the same place at 1 p.m. on 12 July 1996.

Zagreb 9 May 1996 PLIVA d.d. The Management Board





### **COMPANIES AND FINANCE:** EUROPE

# Peugeot chief toughens stance on Valeo sale

By David Owen and Haig

MAY 14 1996

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Mr Jacques Calvet, head of France's Peugeot-Citroën car group, yesterday hardened his threat to remove the compa-ny's business from Valeo, the French car components group, if it fell into foreign hands.

He said he was "completely decided" that he would not renew parts contracts with Valeo if it was bought by foreigners. "What worries me and other colleagues is to see one of France's big equipment makers pass into US control,"

His comments followed a renewed surge in Valeo's share price on the back of reports that two US companies were interested in buying it. The shares closed in Paris at FFr291.40, up FFr9.80, or 3.5 per cent. This compared with a fall of 0.66 per cent, to 2,100.85, in the benchmark CAC-40

The reports suggested that Mr Carlo De Benedetti - who owns a strategic 27.7 per cent stake in Valeo through Cerus, his French holding company had been approached by Delphi, the components arm of General Motors, and TRW, the big US aerospace and compo-

Neither company would con-

There is really nothing we can say." said Ms Frédérique Le Grevès, a Delphi official. TRW said it did not comment

on speculation. Mr Calvet said his views were shared by Mr Louis Schweitzer, chairman of Ren-ault - Peugeot-Citroën's arch rival, and Mr Ferdinand Piech, head of Germany's Volkswagen. Together the three companies account for more than 40 per cent of Valeo's sales.

"I don't know how you can buy a company in which cli-ents accounting for 40 per cent of the sales say 'we will no longer work with you'," he

Mr Calvet justified his hostility to a US takeover on the grounds this would lead to excessive US influence in the European motor industry. "The Americans are in the process of taking a dominant posi-

tion in Europe," he said. In addition, he said, the relationship between carmakers and their suppliers had become increasingly close. This meant that mutual trust was indispensable. "It is very difficult to trust a company that is owned

by a competitor," he said. Mr Calvet said he wanted to find a French solution to the problem of Valeo's future. There were sure to be potential firm it was in negotiations French buyers, he said.

# **Amexco and Accor** sign pay-card deal

American Express of the US and Accor, the French-based hotels and leisure group, yesterday signed an agreement covering a co-branded payment card, which will be launched later this year.

The card is the latest in a series of co-operation deals American Express has concluded with other groups. Its largest to date is with Delta Airlines of the US.

ing Motel 6, Novotel, Sofitel and Ibis - as well as its restaurants and other businesses will be able to pay using the card, and earn points towards gifts or travel.

The Accor card will initially be available within France to French citizens from September this year, and subsequently launched in 1997 in Australia, Belgium, the Netherlands, the UK and Germany. Initially, it will simply be a payment card. but the groups are discussing a

credit card option. Speaking at the launch in Paris yesterday, Mr Harvey Golub, chairman of American Express, said: "We were not originally convinced of the idea of co-branding. We now

verted." He said co-branded cards helped generate cus-tomer loyalty, and that cardholding clients had, on average, doubled annual expenditure with its partners in the US. The group began offering rewards on its cards in the US

Mr Paul Dubrule, joint chair-man of Accor, said his group had long been searching for a way to associate more closely its individual branded businesses and the Accor group, to make the holding company name "something other than

Mr Golub refused to specify the nature of the financial relationship between American Express and Accor, but said it represents an appropriate balance of value" for the two

He said his group planned to sign co-branding deals with other business partners, and did not rule out similar accords with rival hotel groups in dif-ferent countries and time

One Accor subsidiary, Carlson Wagonlit, a travel agency, will be excluded from the cobranding agreement. It has a partnership with Household, a US consumer credit company. which is affiliated with

### **BBV** sets expansion sights on **Mexico**

By Tom Burns in Madrid

Banco Bilbao Vizcaya is preparing to concentrate its Latin American investment drive on Mexico after establishing a solid base in Peru. officials of the Spanish bank said in Madrid yesterday.

Mexico, where BBV controls Probursa, the country's twelfth-largest banking concern, will be the chief target of funds totalling \$2bn over the next four years that BBV has earmarked for Latin America. BBV followed up its \$111m

purchase of Banco Continental in Peru last year with a \$350m investment in Probursa, raising its stake from 20 per cent to 70 per cent. The \$2bn set aside by BBV for Latin America suggests that similar acquisitions are in the pipe-

BBV is Spain's biggest financial institution in terms of stock market capitalisation, and its bullishness over Latin America is fuelled by the contributions that both Continental and Probursa made to the impressive consolidated firstquarter profits it posted last month.

It raised its consolidated net profits by 19.3 per cent to \$157.5m against the first three months of 1995, and analysts believe BBV now has the balance sheet strength to step up its aggressive strategy in Latin

BBV says it is above target in its so-called "1,000-day plan" to achieve double-digit growth in earnings per share and dividends through to 1997.

The chief thrust of its plans for Mexico is to increase the number of branches that Probursa operates from 150 to 600 and to double its presence in the country, where Probursa accounts for 3 per cent of the financial system. The expansion is likely to be through the acquisition of a Mexican bank network and its subsequent merger with Probursa.

BBV is also studying Chile. where it has only a token presence. Banco Santander, which has also invested strongly in Peru and Mexico and is BBV's main rival in domestic Spanish banking, last month spent \$495m in a deal that brought it control of Banco Osorno, tution.

 First-quarter group net profit of Cia Española de Petroleos (Cepsa), Spain's largest private oil refiner, fell 8.5 per cent to Pta4.62bn (\$36m) from Pta5.05bn in the same period in 1995, AP-DJ reports from Madrid.

Cepsa blamed the surging price of crude oil and government limits on the sale price of petroleum products in Spain for squeezing profits.

The group said the increase in international petroleum prices, which has seen Brent crude oil reach about \$23 a barrel, had not been reflected in the domestic market because of government restrictions on the maximum retail

在自然的人,我们是在我们的影响的人,然后把我们就是我们们的现在分词,我们们就是这种的影响,这种是一个一个人,

# Spanish banks shake up Peruvian conquests

BBV and Santander have put their stamp on local acquisitions, writes Sally Bowen

Peru has become the lat-est battleground for Spain's two heavyweight banks, Santander and Banco Bilbao Vizcaya. Both have bought into the local system during the past year, and are shaking up Peru's staid finan-cial market as they vie for well-heeled clients.

Suddenly, Lima's marble banking halls have been transformed in the race to win deposits. Shiny new cars tied up with ribbons wait to be raffled and colourful posters advertise Caribbean holidays to be won.
BBV, in association with

Peru's Brescia group, acquired the former state-owned Banco Continental at auction in April 1995. Results so far from its widely-publicised "Superdeposlto" scheme are impressive. Continental, ranked third among Peru's 23 banks, claims it has won 50,000 new clients since the start of the year. Deposits average 2% times the \$2,500 minimum required for the Superdeposito scheme's 8 per cent a year in dollars, or 15 per cent in Peruvian

"The Superdeposito has been our chief engine of growth," says Mr José Carlos Pla, general manager in Peru for Banco Continental. By the end of the first quarter, deposits stood at 4.3bn soles (\$1.8bn), boosting Continental's market share to 16 per cent, from 15 per cent in January.

New clients are from upper income groups. Deposits are coming both from reverse capital flight (interest rates are better than well-to-do Peruvians can get in Miami) and from "under the mattress", bank officials say.

As Spain's leading retail bank, BBV believes it has a lot to offer the relatively unsophis-

ticated Peruvian market. Its Latin American banks large 1995 profits - around \$1.3bn net - "gave us an obvious capacity to take up

new investments". Mr Pla savs Together with its local cash plus \$60m in debt paper for Continental, easily outbidding rival Santander. Although the state-owned Peruvian group had been slimmed down before privatisation, the new owners spent most of 1995 in comprehensive reorganisation.

This year, they will invest \$25m in state-of-the-art technology, remodelling offices and launching a new corporate

"We haven't spent so much when you compare it with what another bank recently paid to enter the Chilean market," says Mr Pla in a thinlyveiled reference to the \$495m Banco Santander spent last month to merge with Banco Osomo of Chile, a deal that created Chile's largest financial institution.

Having been outbid for Continental, Banco Santander entered Peru by an alternative

Late last year it paid almost \$90m for two medium-sized local banks, Mercantil and Interandino, merging the two under the name Banco Santander del Peru on February 1. The parent bank has subscribed to a \$68m capital increase, giving "plenty of room to grow this year", says Mr Oscar von Chrismar, general manager for Peru.

Acquiring Interandino (formerly the Bank of America's Peru branch) immediately gave Santander a portfolio of leading corporate clients. The bank's strategy for this first year is to "get the house in order, establish a good team

and improve the ratio of overdue loans, which are still high Mr von Chrismar says

Santander's acquisitions made it Peru's sixth-ranked bank (although it is number four in capital). Its immediate impact on the market has been striking: A couple of months ago, it launched, with great fanfare, a mortgage loan scheme dubbed Hiperhipoteca.

or most Pernyians. unknown. Santander's offer of fixed-rate loans at 13.8

per cent for up to 15 years looks attractive to many.
The Hiperhipoteca has enticed 16,000 potential clients

in three months. So far, \$6m

has been lent. The target for

1996 alone is \$70m, Mr von Chrismar says. While Santander also operates in Venezuela, Brazil, Üru-

guay, Argentina and Chile, Peru is BBV's principal Latin American initiative. Apart from buying into a stockbroking/banking operation in Mexico last year, it controls a bank in Puerto Rico and offers private banking services through representative offices in Argentina, Brazil, Chile and

, "Peru was attractive both because of the privatisation opportunities and for its economic and political situation," Mr Pla says.

After three years of strong growth, however, Peru's recent economic indicators look disappointing. Measures to cool the

overheated economy have

zero, while inflation is running slightly above 1996's single-

digit target. But both Mr Pla and Mr von Chrismar regard the sethack as temporary. "In general, the Peruvian economy is very healthy. Earlier growth levels were unsustainable and this is just a necessary pause." Mr von Chrismar says. "There remains a great deal of foreign

interest in Peru." If they expect the economy as a whole to expand by only around 3.5 per cent this year, the following four years should see sustained expansion of 5 to 6 per cent a year, they say. The financial services sector in still heavily underbanked.

B oth expect to be well-positioned to take advantage of the acceleration in growth.

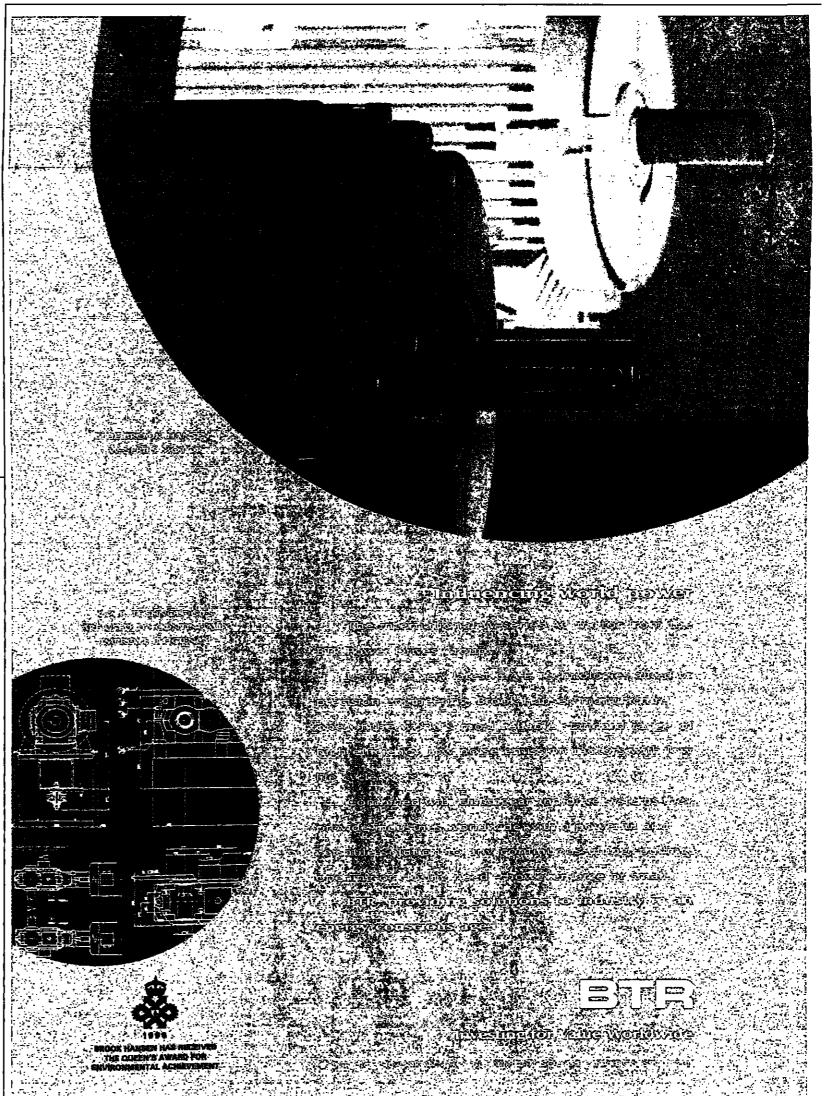
Santander recently acquired a 76 per cent stake in Nueva Vida, one of Peru's six private pension fund administrators (AFPs) for \$12.5m cash and a \$10m capital increase. Intervalores, its highly-regarded stockbroking arm inherited along with Interandino, is now called Santander SAB. In addition, Santander is considering setting up a local mutual fund.

BBV has also established a toehold in the promising private pension fund market with a 13.5 per cent stake in Peru's AFP Horizonte.

It is reorganising its stockbroking arm and has applied for authorisation to set up a mutual fund. "Peruvian banking has been

"Competition means banks are now going out to look for clients. Service is still poor,

very passive," BBV's Mr Pla





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### SGS Société Générale de Surveillance Holding S.A.

8, rue des Alpes - 1211 Genève 1

NOTICE IS HEREBY GIVEN THAT THE

### **ANNUAL GENERAL MEETING**

of the above Company will be held on Wednesday 5th June 1996, at 3 pm at the Noga-Hilton Hotel, Salle Ballroom (mezzanine), 19 quai du Mont-Blanc, Geneva. The doors will open at 2pm.

Access will be permitted to

bearer shareholders, upon presentation of an admission card, at the entrance before

registered shareholders, upon placing, before 2.45 pm at the entrance, an admission card which will be exchanged for a voting card.

The doors will close at 3 pm precisely.

### Ordinary Agenda:

- Presentation of the Annual Report, the Consolidated Accounts and the Statement of Accounts for the year ended 31st December 1995.
- Appropriation of profits.
- "Décharge" of member of the Board of Directors.
- Election of Auditors.
- Extraordinary Agenda:
- Reduction of share capital. Amendment of Statutes:
- Amendment of art. 5,7, 1st par, and 28;

- Insertion of new art. 5 bis and 24 bis. ANNUAL REPORT - AUDITORS' REPORTS

The Annual Report, the Consolidated Accounts and the Statement of Accounts for the year ended 31st December 1995 and the Auditors' Reports will be available for inspection at the head office of the Company, from 13th May 1996. Each shareholder may request that a copy of these documents be sent to him; registered shareholders appearing on the register of shares as at 7th May 1996 will receive, directly, a copy of these documents.

### REGISTERED SHAREHOLDERS

Registered shareholders appearing on the register of shares as at 7th May 1996 will receive, directly, a Notice of Meeting. During the period 13th May 1996 to 5th June 1996 no registration in respect of registered shares will be entered on the register of shares. Shareholders in respect of whom a registration would have been made during the period 7th May 1996 to 13th May 1996 will receive the Notice of Meeting at a later date. Registered shareholders who will have sold their registered shares prior to the Meeting will not have voting rights in respect of those shares.

### BEARER SHAREHOLDERS

The holders of bearer shares wishing to participate or be represented at the Meeting may obtain an admission card either by depositing their share certificates at the head office of the Company, or by sending to the Company a statement of deposit and holding duly executed by their bank of deposit. The deposit of share certificates and collection of an admission card may be made on any business day, until 29th May 1996 at the latest, at the head office of the Company between 9.30 am and 11.30 am or otherwise by arrangement (Telephone +41-22-739.95.51, Share Registry). No admission cards will be available at the entrance of the Meeting. The shares deposited may be collected from the first business day following the Meeting.

### REPRESENTATION

Shareholders not wishing to take part in the Meeting may be represented by another shareholder (in accordance with the provisions of the Statutes, registered shareholders may only be represented by another registered shareholder in possession of a written proxy) or by their bank of deposit. They may also be represented by a representative of the Company or, alternatively, designate Ms Dominique Brown-Berset, attorney-at-law, Froriep Renggli & Partners, 4, rue Charles-Bonnet, CH-1206 Geneva, an independent person pursuant to Article 689c CO, to represent them at the Meeting: in such instance, we would ask that registered shareholders address their admission card and proxy form or, in the case of bearer shareholders, their admission card, directly to Ms Dominique Brown-Berest at the aforementioned address.

Deposit representatives within the meaning of Article 689d CO, are requested to inform the Company as soon as possible, and in any event not later than 5th June 1996 at the entry roster of the Meeting of the number, nature and nominal value of the shares they represent. Institutions subject to the Federal law on banks and savinos Institutions of 8th November 1934 as well as professional portfolio managers are considered as deposit representatives.

### MINUTES OF THE MEETING

From the 11th June 1996, the resolutions of the Meeting will be available for inspection by ers at the head office of the Company.

The Notice of Annual General Meeting, together with all proposals of the Board of Directors is published in the Swiss Federal Trade Gazette, the official publication body for the Company, on the 14th May 1996.

Geneva, 14th May 1996

On behalf of the Board of Directors Elisabeth SALINA-AMORINI Chairman

FIRST PACIFIC.

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guaranteed by
FIRST PACIFIC COMPANY LIMITED
(Incorporated in Bermuda under the Company Act, 1990 with
limited liability) In accordance with the provisions of the Floating Rate Notes, notice

is hereby given that for the period from 13/5/96 to 1311/96 the Notes will carry an Interest Rate of 6.8250% per annum calculated on a US\$34,883.33 per Note of US\$1,000,000

Standard & Chartered

USD 10,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE, SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED

SERIES N°1-TR1,2 AND 3 SQA SOCIETE GENERALE ACCEPTANCE N.V. XEU 5,000,000 2.5% NOTES DUE MAY 13TH, 1996 ISIN CODE: X50043973048

Notice is hereby given to the Noteholders that, pursuant to the Terms and Conditions of the Notes, the Redemption Amount applicable upon Redemption of each Note is:

XEU 10 833,89 per denomination of XEU 10 000 Payment of Interest and reimbursement of the Principal due on May 13th, 1996 is made in accordance with condition 6 "Payment" of the Terms and Conditions

The Principal Paying Agent SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

### **APPOINTMENTS**

### **MERGERS & ACQUISITIONS**

As an analyst within the Mergers & Acquisitions division of this leading international financial services company, you will be responsible for primary analysis of corporate accounting data and market information and valuation of European and North American companies requiring an understanding of European and American accounting standards. financial analysis tools and techniques and ability to manage and nteract with senior executives. In addition, a multi-cultural backgroun and fluency in a second European language in addition to English is required. Salary circa £38,000. Applicants, aged 25-30, educated to MBA

standard with 3-4 years' relevant business experience, should write

in strictest confidence enclosing full curriculum vitae to Box A5322, Financial Times, One Southwark Bridge, London SE1 9HL

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conditions of the Notes, the rate of interest applicable for the Interest

nterest payable on November 12, 1990 per Note of USDS0,000, USD100,000 and USDS00,000 will be USD1,590.80,

USD3,181.60 and USD15,907.99

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**NEWS DIGEST** 

### Sony Music drops 12% to Y20.9bn

The success of Dreams Come True, a highly popular Japanese band, failed to lift the performance of Sony Music Entertainment, the recorded music arm of Sony, which yesterday reported a drop in pre-tax profits despite slightly nigher sales. In the year to March 31, Sony Music saw revenues grow 2.3 per cent to Y114.6bn from Y112.0bn previously. Pre-tax profits, however, fell 12 per cent from Y23.9bn to Y20.9bn (\$198.4m).

Sony, which markets such overseas artists as Michael Jackson and Mariah Carey, attributed the disappointing performance to a rise in marketing costs and lower interest income. The company has been faced with the need to develop new talent to generate revenues in future years. Foreign pop artists, like their Japanese counterparts, did not sell strongly. although classical recordings fared well.

At the same time, Sony said sales this year were not as strong as in the previous year which had seen a number of special albums commemorating the tenth anniversary of a number of artists, or marking the break-up of others.

The weak recovery from prolonged recession has seen the Japanese market split in to strong selling artists and those who achieve only mediocre sales, according to the Recording Industries Association of Japan.

Meanwhile, Sony said low interest rates had also hurt its non-operating income. Income from interest and dividends fell by 40 per cent from Y5.2bn to Y3.1bn. Michiyo Nakamoto, Tokyo

### Toray buys French film maker

Toray Industries, Japan's leading producer of synthetic fibres, said yesterday it had become the world's largest producar of polyester film, with the acquisition of a film making company

Toray has bought Rhône-Poulenc Films, a subsidiary of France's largest chemicals group, which has a 30,000 tons annual capacity plant near Lyons, with an annual turnover of FFr1bn (\$193m). It did not announce a purchase price, though earlier Japanese press reports estimated the value of the deal at Y15bn to Y20bn (\$143m-\$190m).

The Japanese company plans to invest FFr600m at RPF, to be renamed Toray Plastics Europe, over the next three years, as part of a general European expansion. RPF's main customers are the packaging and magnetic recording

Toray, which already makes polyester film in the US and Malaysia, has estimated a 5 per cent rise in recurring profits before tax and extraordinary items - to Y36bn in the year to March, on sales up 4.6 per cent to Y550bn. Its annual results William Datckins, Tokyo

### Thai broker lifts profit 11% Securities One, a leading Thai brokerage, reported

first-quarter profits rose 11 per cent compared with the year before, to Bt216m (\$10.3m). Earnings per share were also up 11 per cent Full financial details were not released, but analysts said the

results were below expectations. Although brokerage and fee income increased 48 per cent from the year before, the company was hurt by a decline in market share from 5.4 per cent in the first quarter of last year to 4.9 per cent this year. In addition, the average commission charged by Securities One fell as the company's client base became more heavily weighted to institutional investors.

Company officials said they hoped an improving macroeconomic situation in Thailand would improve stock market performance, which will help both commissions and trading gains. The company is in the process of completing a merger with First Asia Securities, which will have a dilution effect on earnings per share but will boost non-Thai income as First Asia's overseas earnings begin to be accounted for in the fourth quarter of 1996.

Revenue from a joint-venture with Morgan Stanley covering research, sales and trading is expected to kick in during the expect full-year profit growth of around 20 per cent.

### **Indian Aluminium up 24.55%**

Indian Aluminium, owned 34.6 per cent by Alcan of Canada, posted net profits for the year to March 31 up 24.55 per cent to Rsl.142bn (\$32m). Gross profits rose 44.73 per cent to Rsl.88bn from Rsl.3bn a year earlier. Sales advanced 13.4 per cent to Rs11.85bn, including exports of Rs2bn, up 38 per cent. Earnings per share rose to Rs16 from Rs13. A final dividend of Rs2 makes a total for the year of Rs4.

The company raised its production to 53,000 tonnes from 43,365 tonnes. It also bought 25,000 tonnes of metal from the market for value addition. The company has formed a joint venture with Hydro Aluminium of Norway and Tata Industries, India's largest business group, to build an aluminium refinery with capacity of 1m tonnes a year at Baphlimali in Orissa. Alcan is likely to become the fourth partner in the venture. Kunal Base Calcutia

### Sharp reverse at CSR

The sharp downturn in Australia's housing market left CSR. the building materials, sugar and aluminium group, posting an 18 per cent drop in profits after tax but before abnormals in the year to end-March. CSR made A\$320.1m (US\$257.3m), compared with A\$390.5m last time. After a small abnormal surplus, the bottom-line figure stood at A\$330.8m, down from A\$392.6m.

The CSR result is likely to herald a run of lower profits from many Australian companies as results for 1995-96 start to be reported. A number of companies, in sectors ranging from construction to media, have warned of an impending downturn, and last week Pacific Dunlop, the Melbourne-based conglomerate, and Southcorp, the wine, packaging and appliance group, joined that list.

CSR's profit was reached on sales up from A\$6.25bn to A\$6.38bn. The total dividend for the year is held at 29 cents. On an earnings per share basis, the result was down by 21 per cent at 33.6 cents.

The company blamed the outcome largely on the Australian housing sector, its core market, where it noted new housing starts had fallen by almost 30 per cent. Profit on construction materials fell from A\$109.7m to A\$62.8m; on building materials, from A\$80.2m to A\$73.4m; and on timber products,

from A\$68.6m to A\$25.2m.

The sugar business was also a week performer, partly because of difficulties during the crushing season and because of price wars in the refined sugar market. Profits were down from A\$86.7m a year ago, to A\$64.7m. Much healthier results came from the North American

building materials division, where profits rose from A\$82.2m to A\$110.6m, and from aluminium which made A\$77.6m, Nikki Tait, Sydney against A\$56.7m previously.

### Sydney Casino raises A\$64.8m Sydney Harbour Casino, which is operating from temporary facilities on the city's harbourside but is in the process of

constructing a A\$900m permanent complex, yesterday raised A\$64.8m (US\$52.im) in new equity. The company said 35.25m preferred ordinary shares had

been placed at A\$1.84 each, a 4 per cent discount to the weighted average trading price, by Bain & Co, the stockbrokers, with a range of institutional investors in Australia and overseas.

The permanent casino is due to open in early December next year, six months earlier than planned, and will be one of Australia's largest. But the launch of the new gaming facility has been plagued by suggestions that Australia's rapidly-expanding casino industry is oversupplied. Sydney Harbour Casino last week reported a profit of A\$600,000 for the three months to end-March, after abnormal costs of A\$11.3m. Nikki Tait

# Beijing keeps close eye

# on Hongkong Telecom

### By John Ridding in Hong Kong

The Hong Kong arm of China's ministry of post and telecommunications (MPT) said yesterday that it was taking an active interest in developments concerning Hongkong Telecom, but remained guarded about whether the MPT was seeking a stake in the territory's dominant operator.

COMPANIES AND FINANCE: ASIA-PACIFIC

An official at Telpo, the Hong Kong-based subsidiary of the MPT, said it was gathering information about Hongkong Telecom and the territory's telecoms market and studying options for the mainland operator. "But this does not mean that we are preparing to buy a stake." the official said.

The statement, prompted by a report in the Hong Kong Economic Times, comes as speculation mounts that mainland interests will seek to raise their holding in Hongkong Telecom as part of a restructuring. "Hongkong Telecom's ownership is in a state of unstable equilibrium," says a report by Mr Adam Quinton, regional telecoms analyst at Merrill Lynch.

fuelled by the failure of merger talks between British Telecommunications and Cable and Wireless, which controls Hongkong Telecom, and by a significant reorganisation of Hong Kong's aviation sector at the end of last month.

The reorganisation, in which Chinese companies took big stakes in Hong Kong's airlines. raised the prospect of a similar move in telecommunications. one of the few significant business sectors without a significant Chinese presence.

Attention has focused on the MPT and Citic Pacific, the Hong Kong arm of Beijing's flagship investment vehicle which already holds 10 per cent of Hongkong Telecom. But while analysts noted

strategic benefits as well as political considerations behind a mainland move, they said that the price of a share purchase presented a considerable obstacle.

"Hongkong Telecom has a capitalisation of around US\$30bn. so a meaningful slice would prove very expensive." said Mr Dylan Tinker, telecoms analyst at Jardine Fleming in from cost-cutting efforts.

Expectations have been Hong Kong. One possible out-ielled by the failure of merger come, cited by some in the industry, would be a consortium grouping BT or other international telecoms operators with a Chinese partner.

The acquisition of a stake by mainland interests would support Hongkong Telecom's attempts to expand in China. For Chinese companies, the attractions would be a stake in a highly profitable company which holds the monopoly on international direct dial calls until 2006.

The profitability of Hongkong Telecom will be illus-trated today with the announcement of results for the year to the end of March. Average forecasts in Hong Kong are for net profits of just under HK\$10bn (US\$1.29bn), a rise of just over 14 per cent

compared with 1994-95. Investors' attention will centre on the trend in volume and line growth, both of which were sluggish in the first half of the financial year. More positive aspects concern the expansion of the operator's mobile telecoms operation and improved margins resulting

# Singapore Airlines up 11.7% despite core business setback

By James Kynge in Kuala Lumpur

Singapore Airlines (SIA) announced a healthy increase in group profit for the 1995-96 financial year vesterday, but its core business suffered a decline in profits after being hit by rising fuel costs and stiff competition.

Group net profit rose 11.7 per cent to S\$1.03bn (US\$729.5m) in the year to March 31 1996, while revenues rose 5.1 per cent to SS6.89bn. Both figures were within

analysts' expectations. But SIA's core airline business was hit as revenues could not keep pace with a host of cost increases, derived in part from the creation of an additional 1L8 per cent in passenger and cargo capacities, and

in part from rising staff costs,

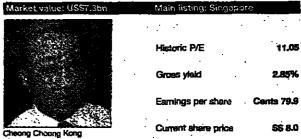
landing fees and fuel prices. The core company's operating profit declined S861m, or 7.4 per cent, to S\$756m, and net profit fell by S\$63m, or 6.7 per cent. to S\$876m.

"The core performance is dis appointing because behind it lies falling yields from passenger and cargo traffic. We don't expect to see yields recover this year and in fact we will probably see a further decline," said an investment analyst in Singapore.

Overall yields fell 5,3 per cent to 69.7 cents per loadtonne-kilometre as passenger and cargo yields fell 4.3 per cent and 4.9 per cent respectively, SIA said.

Analysts said yields could fall 2 per cent in 1996-97 if the Singapore dollar continued to appreciate and fuel prices also climbed. The Singapore dollar basket of currencies last year.

### PROFILE: Singapore Airlines



SHARE PRICE **EARNINGS PER SHARE** relative to the SES Ali-Share index

petition is likely to mean that rising costs will only be partially passed on to customers, the analysts said.

SIA's response is to try to lower unit costs by pushing relentlessly for economies of scale. Overall capacity is planned to increase by 8 per cent in 1996-97, with 7 per cent of this coming from passengers and 11 per cent from cargo.

Last November the company ordered 77 Boeing 777 aircraft for S\$17.9bn and plans to take delivery of the first few in March or April next year -probably too late to show up on this year's balance sheet. The deliveries are not slated to rose 3.6 per cent against a end until 2004, and the company hopes their entry into its

At the same time, keen com- fleet will provide capacity growth at 8 to 10 per cent annually for the next 10 years. Ţ

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So far. SIA's strategy has made some headway - unit costs in 1995-96 fell by 5.2 per cent, the company said.Its three new Asian routes started last year to Cairns, Australia, Hangzhou in China and the Portuguese-administered enclave of Macau were showing "healthy" business, although it declined to give load factors.

Group earnings were bolstered in 1995-96 mainly by strong performances at subsidiaries Singapore Airport Terminal Services and SIA Engineering Company, and by the writeback of provisions for unrealised losses.



# Ampolex board recommends increased Mobil bid terms

By Nikki Tait in Sydney

Ampolex, the Australian energy group, ended yesterday when Mobil, the US oil major, announced that it was raising its cash bid from around A\$1.5bn to A\$1.78bn Mobil offer, Ampolex directors (US\$1.43bn), and Ampolex also said they would not directors recommended acceptance of the new offer.

The new terms are A\$4.64 per ordinary share, compared with A\$4.25 previously. Significantly, the terms are within the valuation range of A\$4.44 to A\$5.91 a share suggested by Grant Samuel in an independent valuation report on Ampolex released last week. The offer for the preference

shares also increases, from A\$4.27 a share to A\$4.66. Mobil said it had held talks with Ampolex directors over A\$11bn, the field has the poten-

meeting the group's main shareholders this week. It The battle for control of already held a near-15 per cent stake in Ampolex's ordinary shares and yesterday lifted that to 21.1 per cent through market purchases.
In giving their support to the Mobil offer, Ampolex directors

attempt to sell any significant assets. This puts to rest strong suggestions in recent weeks that Ampolex might seek to dispose of its 14.29 per cent stake in the West Australian Petroleum consortium, in which Chevron, Texaco and Shell are the other partners.

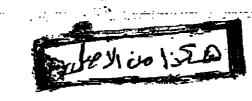
The WAPET consortium is considering the development of the large Gorgon gas field, off Western Australia. Although development costs have been put at between A\$7bn and

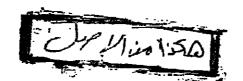
the weekend, and would be tial to become WA's second significant liquefied natural gas export operation by the beginning of the next century. The WAPET stake was widely viewed as one of the main reasons for Mobil's interest in Ampolex.

Ampolex also said it had agreed to consult with Mobil over any settlement possibilities in the litigation over the terms on which its convertible notes should convert.

The dispute and subsequent litigation, which led to a fall in Ampolex's share price and may have made it vulnerable to a bid, were brought by Sir Ron Brierley's Guinness Peat group.

Ampolex yesterday asked for a suspension of its convertible notes, pending a statement later today. It indicated that it was close to reaching some form of settlement.





### COMPANIES AND FINANCE: THE AMERICAS

### **NEWS DIGEST**

Starting

### **Northern Telecom** in \$150m US buy

Northern Telecom, the Canadian-based telecommunications equipment supplier, plans to expand its business networks expertise with a friendly US\$150m takeover of Micom Communications of Simi Valley, California. Micom directors have urged shareholders to accept Nortel's offer of \$12 a share. Odyssey Partners, Micom's biggest shareholder, has agreed to tender its 44 per cent stake. Micom shares, which trade on the Nasdaq over-the-counter market, closed at \$14 last Friday.

Micom specialises in integrating companies' data, voice, fax and local-area network traffic into wider networks. Nortel was also attracted by its distribution network, which covers to the covers to

### Unisys launches new PC range

Unisys, the US computer group which is struggling to return to profitability, yesterday unveiled a new family of build-to-order personal computers aimed at corporate users. The new Aquanta range includes desktop, server and

Unisys has suffered a series of setbacks during the past few years and is restructuring to realign its operations into three new business units focused on computer equipment and services. However, its customised PC business has been thriving, with sales increasing 74 per cent in 1995.

Prices for the new machines, which run on Intel's Pentium processors, range from \$1,200 for a desktop machine to \$8,900 for a high-end server.

### iVillage wins \$12m finance

iVillage, the nine-month-old US Internet content company, announced yesterday that it had secured \$12m in financing from four new investors, making it one of the most heavily capitalised content companies in the US.

America Online, the online service provider that originally invested \$2m to help found the company, made an additional investment. Two large media groups, Tele-Communications, through its TCI Interactive unit, and Tribune Company, are also new investors, as is Kleiner Perkins Caufield & Byers, one of the most prominent technology venture capital groups in the US. The new money will be used to finance the development of new channels and acquire other companies

### George Weston disappoints

George Weston, the Weston family's Canadian food distribution and resource group, posted first-quarter results below most market estimates because weakness in the fishery operations and lower forest products results offset strengths in the food unit, Loblaw. Weston earned C\$77.9m (US\$57m), or C\$1.66 a share, up 158 per cent from C\$30.2m, or 64 cents, a year earlier. However, the latest quarter included a special gain on the sale of the confectionery unit, and final net profit was equal to 50 cents a share.

Revenues were C\$2.8bn, down 9.5 per cent from a year earlier. The decline was due to asset sales, after which revenues were up 3 per cent.

At the operating level Loblaw contributed most - C\$60.8m, up 6.7 per cent from C\$57m. Loblaw is now solely a Canadian food distributor after the sale last year of its US subsidiary. In the first quarter sales rose 7.3 per cent. The food processing unit was up at C\$3.5m from C\$1.8m, fisheries dipped to C\$900,000 from C\$4.8m and forest products contributed C\$14m

### IBM sells Prodigy stake

IBM said the sale of its 50 per cent stake in Prodigy Services, the third-largest consumer online information service, to privately-held International Wireless and a group of Prodigy executives will not have any material affect on its financial results. The price of the deal was not disclosed but the Prodigy management team was initially looking at finding investors for the buy-out for a price of about \$250m. Reuter, New York

### Canadian Occidental ahead

Record oil output by the Masila field in the Yemen and strength in North America pushed Canadian Occidental Petroleum's first quarter net profit to C\$50m (US\$36.5m), or 73 cents a share, from C\$30m, or 45 cents, a year earlier on revenues of C\$319m against C\$278m.

A US\$78m payment to the Yemen government to settle site, transport and other issues has been charged to capital spending, which will total C\$600m for 1996. Robert Robert Gibbens

# JP Morgan to outsource IT operations in \$2bn move

J. P. Morgan is to farm out a large part of its routine infor-mation technology operations, marking one of the biggest out-sourcing deals of its kind.

The US bank said yesterday that it had reached an agree-ment with a group of technol-ogy companies under which it will pay \$2bn over seven years. The deal covers about onethird of the bank's spending on computers and telecommunications, and will yield savings of 15 per cent a year, the bank said. Morgan spent \$1.04bn in these areas last year.

In terms of annual value, the contract compares with the biggest in the booming outsourcing business. Last year,

to pay Perot Systems \$6.25hn over 25 years to handle its computer operations, while Xerox is to pay EDS \$3.2bn over 10 years. Unusually for such an

arrangement, four different

contractors have formed a partnership to handle the Morgan technology operations, and will jointly buy three of the bank's computer facilities and take on 900 of its employees. Computer Sciences will run the computer facilities in New York, London and Delaware, while Andersen Consulting

will develop software applications and provide maintenance support. AT&T and Bell Atlantic will run the bank's global voice and data network and distribute computing.

Mr Douglas Warner, chairman of J. P. Morgan, said the deal would enable the bank to "exploit new technologies. manage costs, and create competitive advantage". The decision to use outside

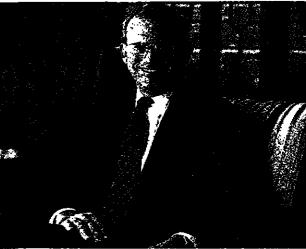
contractors marks a further attempt to rein in the bank's technology and communications spending. This has jumped in recent years as the bank has grown internationally. IT now consumes 45 per cent of Morgan's non-staff costs each year, compared with 35 per cent at the beginning of the decade.

Mr Peter Miller, co-head of corporate technology, said the amounts to be paid under the contract were dependent in part on the volume of transactions handled, as well as other

fixed costs into variable costs, allowing it control its unit costs better, he added.

Morgan already contracts out about 10 per cent of its technology spending, and a large part of its remaining costs are paid to suppliers of market data, such as Renters and Telerate. The bank plans to limit its

in-house technology expertise to what Mr Miller called "the short end of the wedge": a small group whose job is to develop applications for individual business units. These include developing risk man-agement algorithms to support the bank's own operations and the creation of financial instruments for clients.



Douglas Warner: deal will give bank 'competitive advantage'

### Coca-Cola bottler seals **Europe deals**

By Richard Tomkins

Coca-Cola Enterprises, the oiggest US bottler of Coca-Cola soft drinks, is embarking on a big expansion of its European interests by buying most of Coca-Cola's bottling capacity in France and Belgium for

The acquisition, expected to be completed early in the third quarter, will build upon Coca-Cola Enterprises' move into Europe in 1993, when it bought Coca-Cola's bottling operations in the Netherlands.

Coca-Cola Enterprises is 44 per cent owned by Coca-Cola, but operates independently and its shares are quoted separately on the NYSE.

The company is the world's biggest bottler of Coca-Cola products, but most of its revenues come from the relatively mature US market, where it accounts for about 57 per cent of all Coca-Cola products sold.

Recently it has been expanding by acquisition. In 1993, it paid Coca-Cola \$360m for two small bottlers in the US and Coca-Cola Beverages Nederland, its first acquisition outside the US.

The latest acquisitions are also being bought from Coca-Cola. They are Coca-Cola Bev-erages and Coca-Cola Production in France, which caters for about 90 per cent of the French market, and SA Beverage Sales Holding in Belgium. which is the country's only Coca-Cola bottler.

Coca-Cola Enterprises said the French bottlers sold 158m unit cases last year, and the Belgian bottler 94m unit cases. On a pro-forma basis, their operations would add \$1.2bn to Coca-Cola Enterprises' 1995

The US company said it was interested in making more acquisitions in territories adjacent to its existing areas. It said that following the latest deals, more than 15 per cent of its unit case sales would be generated outside the US.

ADNOC ]

# Crash prompts 23% tumble in ValuJet shares

By Richard Tomkins In New York

Shares in ValuJet, the US low-cost airline, tumbled \$4% to \$13% in early trading yesterday - a fall of 23 per cent following Saturday's disaster involving one of the company's McDonnell Douglas DC-9 aircraft

Investors feared that the crash could cause passengers to shun the airline, particularly after some US media reports raised questions over ValuJet's safety record. A total of 104 passengers and

five crew died when the DC-9 plunged into a swamp soon after taking off from Miami. aircraft involved was 27 years The pilot had turned back old, and had returned to towards the airport after airports after take-off seven it started up in 1993.

and cabin. Witnesses said the aircraft

plunged to the ground in a near-vertical dive. So far, the cause of the crash is unknown. The first officer's last transmission was unintelligible - possibly because he was wearing an

Efforts to recover the wreckage and "black box" flight recorder have been hampered by difficult conditions in the swamp.

oxygen mask, investigators

Much of the US media coverage of the accident has focused on the fact that the aircraft involved was 27 years

reporting smoke in the cockpit times in two years with and cabin. Perhaps of greater concern. the airline last month said it was voluntarily trimming

plans for a big expansion of its fleet after the Federal Aviation Administration raised concerns about a string of non-fatal mishaps example, the collapse of an aircraft's landing gear.

The FAA's concerns were said to have focused on pilot training and the quality of maintenance by outside contractors.

The authority decided to carry out a scrutiny of ValuJet's safety maintenance procedures, citing the airline's rapid growth since

Yesterday the FAA said it was intensifying that review, bringing forward a week-long check-up on the airline that had been due to begin next

ValuJet said it welcomed the scrutiny, and would continue to work with with the FAA "to assure the highest levels of safety". ValuJet was floated on the

stock market in June 1994 at a price of \$12.50 a share. Amid rapid profits growth, its stock price soared to a peak of \$34% last December.

However, the airline was subsequently hit by increased competition from Delta Air Lines and by concern over last month's delay to its expansion

Share orice relative to the S&P Composite

Jun 1995

Source. FT Extel

# What's behind a balance sheet?

### Performance.

- Consolidated balance sheet total: DM 318.4 billion (+13.3%)
- Total lending volume: DM 186.0 billion (+9.5%)
- Total deposits: DM 180.8 billion (+14.8%)
- Own Issues outstanding: DM 104.9 billion (+11.1%)
- Capital & Reserves: DM 14.0 billion (+28.5%)
- Net income for the year: DM 452.1 million (+34.1%)
- Allocation to reserves: DM 361.1 million
- Dividend: 7%
- → Generated by 5423 employees

7.....

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gas. One Chilling plant for controlling hydrocarbons dew point of the gas with capacity of 250 MMSFD.

One Catacarb unit for treatment of regeneration gas from the

One Glycol Dehydration unit for dehydration of the regeneration

**CONTRACTS & TENDERS** 

Abu Dhabi National Oil Company (ADNOC) SALE OF THAMMAMA "F" GAS SWEETENING PLANT

AT HABSHAN, LOCATED IN ABU DHABI

UNITED ARAB EMIRATES TENDER NO. SDP/11/96

ADNOC invites interested parties to participate in the sale, on "as is where is" basis, of old Thammama "F" Gas Sweetening Plant.

Two Molecular Sieve units for simultaneous sweetening and dehydration with capacity of 125 MMSFD of Thammama "F" gas. Each train consists of four vessels loaded with molecular sieves.

THE GAS PLANT CONSISTS OF THE FOLLOWING UNITS:

molecular sieves unit with capacity of 100 MMSFD.

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### Improved Operating Result -Return on equity up to 18.2%

• The operating result improved by 63% to SRX 1 209 M • Earnings per store SEK 3.10

Result, The Group			
		m-001	
<u> 187</u>	1935	1985	وانطفاا
Interest receivable*	11 591	11 638	-1%
Leasing income*	263	277	5%
Interest payable*	<b>-9 258</b>	<del>-0</del> 333	-1%
Commission, net	609	430	42%
Net result on Imandal operations	465	271	72%
Other income	190	293	-35%
Total Income	3 960	3 636	6%
Personnel expenses	1 036	1045	-1%
Other expenses*	1 155	1 101	5%
Total expenses	2 191	2 145	2%
Operating income before lean losses	1 589	1 490	12%
Loan losses 4	460	750	-39%
Operating result	1 209	740	53%
Net result for the period	863	700	23%
* Not internet income	2 389	2 419	-1%

Net result for the period "Net interest income	2 389	2 419	-1%
Key Figures, The Group			
<del></del>		100 - MAT	52 - UM
		1998	1985
Lenging, SEK bn, "		361.0	382.4
Deposits/funding from the			
General public, SEK bri **		159.4	151.9
Total assets, SEK bn "		520.9	481.9
Equity, SEK bn		17.0	18.5
Return on equity, %		18.2	15.5
Earnings per share, SEK		3.10	2.52
Adjusted equity per share, SEK		61.28	63.80
VE ratio before credit losses		1.84	1.77
VE ratio after credit losses		1.49	1.28
Capital adequacy ratio, %		11.6	12,9
Primary capital ratio, %		6.0	7.0
Loan loss ratio, %		0.5	0.8
Doubtid claims to lending, %		20	28
	~-	_	
Number of tull time employed, March	31	9 574	9 906

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# COMPANIES AND FINANCE: UK

# Fenner advances to £8.2m

By Simon Kuper

Shares in Fenner rose 9p to 170p yesterday as the industrial products group reported a 50 per cent rise in interim pretax profits to £8.2m. Sales rose by a fifth to £126.3m in the six months to February. But Mr Mark Abrahams.

chief executive, said: "We do expect the markets to get slightly tougher for us." He expected a downturn in continental Europe, particularly in Germany. However, he added: "Our businesses tend to be niche and tend to outperform." He said: "You can expect to see some bolt-on acquisitions from Fenner." But the rate of acquisitions of the previous few months would slacken. He expected no disposals. "We have disposed of most of our non-core businesses now," he said. Fenner was now concentrating on the £10m a year capital spending programme which it began last year.

The fastest growth over the six months to February came in the power transmission divi-

sion, where operating profits rose 36 per cent to £3.15m. which was mainly from the impact of new management. Operating profits in the advanced engineering products division rose 46 per cent to £3.66m, and in the conveyor belting division by 24 per cent to £1.2m.

However, operating profits in the fluid power division fell by a fifth to £1.74m. Mr Abrahams said this was because of falling demand in the US truck market for Fenner's tailgates. He expected demand to stabilise.

The group said that the costs of merging its polymer moulding operations and combining its two UK conveyor belt businesses would be about £7m. This would be set against second-half profits. The changes would destroy about 440 jobs at its Hull and Peterborough sites, but create about the same number at its new plant

The interim dividend will be 19 per cent ahead at 1.7p, pay-able as a foreign income divi-



Mark Abrahams (left) with Colin Cooke, chairman

# DMG nears the forex summit

**Philip Gawith** analyses reasons for the bank's surge past its rivals

here would have been few surprises in the foreign exchange market at the rapid progress up the annual Euromoney league table by Deutsche Morgan Grenfell

It has been aggressively developing its foreign exchange business over the past two years, as part of an expansion of its investment banking and capital markets

DMG leapt to ninth in Euromoney's survey of foreign exchange banks, from 22nd. While DMG has made great

progress, it is not without its critics. Competitors point out that the Euromoney survey is a statement about visibility and turnover, not profits. They question what sort of money the bank can be making given the lavish expenditure on recruitment. One manager says DMG has been writing "the most amazing contracts the City has seen". This is when the industry is becoming more cost conscious amid spec-

ulation that the spectacular growth of the past 15-20 years has levelled off. But its ambitions are far from sated. According to Mr Albert Maas-land, head of trading and sales for continental Europe, DMG will "challenge the leaders over the coming years".

"This is just the start. We are only part way through the transformation of the foreign exchange business into a truly global business."

It can play to both the markets served by commercial banks, whose strengths are in areas such as cash management, custodial relations, and corporate clients, and the advisory/capital markets type business in which investment banks specialise. "We have access to a much broader base than any of our competitors and we're starting to put that together now." he said.

Instrumental in developing DMG's forex business has been Mr Michael deSa, head of global foreign exchange, who joined from Citibank in 1994.

Other recruits include Mr Nick Beecroft and Mr Dan Almeida, both from Citibank, who run the London and New York offices, and Mr Maasland from HSBC Markets.

Mr deSa said recently he had built up DMG's global forex complement by 20 per cent to 490 people. Foreign exchange profits were DM532m (£231m) in 1995, up from DM496m.

The key strategic decision was to move many traders to sales. Previously it had 37 largely autonomous dealing rooms, all making prices in different currencies. Now price making in the main currencies is concentrated in London, Frankfurt, New York and Sing-

Concentrating liquidity in a few centres confers other advantages. It gives a better overall sense of market flows, which customers find useful while enhancing successful proprietary trading.

It also gives DMG greater clout in the interbank market. Mr deSa said: "It puts you in a

ter relationship with your competitors. We weren't getting return. We were giving out liquidity, but not getting it back. You need relationships with people who will return liquidity in difficult condi-

DMG insiders believe the bank has achieved two of its three aims. The first was to establish a presence in the interbank market as a provider of liquidity, the second was to develop an options capability the third to improve the bank's standing in emerging markets.

The initial focus has been in Europe. "That is our goal - to dominate Europe," says Mr deSa. "If successful, you have automatically positioned yourself as a global player."

Six months ago he said the challenge was to compete with the top six or eight banks in London. The bank was seventh in London in the Euromoney survey so business would appear to be going according to

### LEX COMMENT

# Bank of Scotland

Standard Life's plan to sell most of its 32 per cent stake in Bank of Scotland undoubtedly puts the Scottish bank into play. The two institutions may have had a long-standing andfriendly relationship, but Standard has a fiduciary duty to its policyholders to get the highest price for its stake. And that would inevitably come from a strategic buyer. But while Bank of Scotland may be up for grabs, it is far from certain there will be takers. The wave of takeovers in global banking has been driven by the potential

Bank of Scotland Share price relative to the FT-SE-A All-Share Index

to remove costs. Bank of Scotland, however, has a comparatively low cost ratio and little overlap with other banks, so there are no easy savings for a British predator. And since it is regionally focused, it is not an obvious stepping-stone into British retail banking for a foreign buyer. Moreover, the bank's management would give a distinctly

nationalistic tinge to its fight to retain independence - which means the take-out price would probably have to be a steep

Of course, Bank of Scotland offers an attractive market position in Scotland. And the share sale takes place during a narrow window of opportunity for potential buyers, before elections produce what will probably be a less bid-friendly government. However, investors cannot bank on bids - and there is downside risk. In the absence of a strategic buyer, the sale of £1bn of Bank of Scotland shares to institutions would depress the share price - particularly since investors are facing another £15bn of new banking shares next year, with the arrival of a herd of reformed building societies.

# **Internet groups to** form EUnet link

Nine of the 28 affiliated Internet service companies making up the pan-European EUnet group have combined to form EUnet International, marking a significant consoli-dation within the Internet service marketplace.

The new UK-based holding company brings together nine independent national Internet access providers in France, Belgium, Luxembourg, Austria, Finland, Switzerland, Portugal, Norway and the Czech Republic. Several other national Eunet providers are also negotiating to merge with EUnet International.

As part of the deal, Advent

\$12m investment in the new company which plans to expand both through organic growth and acquisitions.

EUnet, formed in 1982, is a leading European Internet service provider and derives 90 per cent of its revenues from business users. It has devel-oped a network of national and regional service providers.

The consolidation of EUnet into a single company is an important step to strengthen our market position and develop EUnet to meet the challenges of an increasingly competitive and demanding Internet market requires," said Mr Wim Vink EUnet International's chief executive.

The company is expected to International, a large private seek a listing on Nasdaq, the venture capital firm, led a screen-based US exchange.

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GPC.

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Agent

(London Branch)

Banco Totta & Açores S.A. London Branch

### 1996 NOTICE OF SHAREHOLDERS' MEETING

The Shareholders of TOTAL are hereby informed that a Combined General Meeting (Annual Ordinary and Extraordinary) is to be convened on Tuesday, June 4, 1996, at CNIT La Défense - Amphithéatre Goethe - 2, place de la Défense - 92053 Paris La Défense at 10 a.m., on the following agenda:

### I Annual General Meeting ---

- Report of the Board of Directors and Auditors' general report on the transactions and accounts for the year ended December 31, 1995
- Approval of these reports, the accounts and the balance sheet at December 31, 1995
- Appropriation of net income, determination of the dividend, election to receive the dividend in cash or in the form of shares Special Report of the Auditors on the agreements owered by
- Article 101 of the French Companies Act of July 24, 1966
- Allocation to the special long-term capital gains reserve - Authorization to be given to the Board of Directors to trade in the Company's shares on the Stock Market in order to stabilize
- Appointment of two new Directors - Determination of the amount of Directors' fees,

### Il Extraordinary General Meeting-

- Report of the Board of Directors
- Special Report of the Auditors

February/March 1996

- Authorization to be given to the Board of Directors to award stock options to the management and key employees of the Company and subsidiaries, on terms to be decided by the Extraordinary
- **General Meeting** Authorization to be given to the Board of Directors to act on the authorizations to issue securities while a takeover bid is in progress Approval of amendments to the Bylaws resulting from letters exchanged between the French State and the Company in
- Amendment to article 19 of the Bylaws related to the term of office of Directors · Amendment to article 28 of the Bylaws related to the
- apportionment of Directors' fees All shareholders are entitled to participate in this General Meeting,

whatever the number of shares held, or to be represented at the Meeting by another shareholder or an officer of the Meeting, or by their spouse, or to cast postal votes

In order to participate in or be represented at the Meeting: a) holders of registered shares must have the shares registered in their names at least five days prior to the date of the Meeting.

b) holders of bearer shares should, at least five days prior to the date of the meeting, provide evidence that the shares are being held in a blocked account, in the form of a certificate issued by the financial intermediary holding the record of the acquisition. Such certificate should be sent to Banque PARIBAS, Service des Assemblées, 34 rue des Mathurins, 75008 Paris. The shares may not be released for possible sale until after the date of the last Meeting at which the quorum requirement is met. Forms of proxy and postal voting forms, together with entry cards,

may be obtained on request from Banque PARIBAS. As required by law, shareholders are reminded that:

Shareholders wishing to cast a postal vote may obtain the appropriate form by writing to the Company TOTAL, Direction

- des Affaires Juridiques et des Accords, DEF A. 201, Tour TOTAL 24. cours Michelet - 92069 Paris La Défense, or Banque PARIBAS,
- In order to allow time for such forms to be issued, requests must be received at the Company's head office or by Banque PARIBAS, 💎 🥏 Service des Assemblées, not later than six days prior to the date of

Service des Assemblées, by registered letter with acknowledgement

- the Meeting The duly completed form must be returned to the Company's head office or Banque PARIBAS, Service des Assemblées, at least three days prior to the date of the Meeting
- In the case of holders of bearer shares, postal votes will only be accepted subject to prior receipt of the certificate evidencing the fact that the shares are being held in a blocked account, as provided for in b) above
- Any shareholder who has east a postal vote will not have the right to participate in the Meeting in person or to give a proxy to any other person
- Shareholders may obtain the documents provided for in Articles 133 and 135 of the Decree of March 23, 1967, by writing to the Company's head office TOTAL, Direction des Affaires Juridiques et des Accords, DEF A. 201, Tour TOTAL 24, cours Michelet -92069 Paris La Defense, France, or to Banque PARIBAS, Service des Assemblées, 34 rue des Mathurins, 75008 Paris, France.

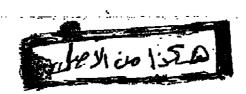
Shares registered in the name of the same holder for at least two years as of the date of the General Meeting carry double voting rights (article 37 paragraph 7 of the bylaws).

Nevertheless, the transfer of registered shares to another registered shareholder in connection with a succession, the sharing of the joint estate of a husband and wife, or a disposition inter vivos in favour of a spouse or a relative in the line of succession, shall not be deemed to represent a transfer of ownership for the purpose of determining the above qualification period or the eligibility for double voting rights. (article 37 sub-paragraph 8 of the bylaws).

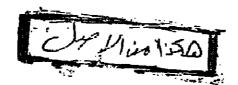
THE BOARD OF DIRECTORS



TOTAL SOCIETE ANONYME CAPITAL STOCK: FE11,814,726,050 R.C.S. NANTERRE B 542 051 180 HEAD OFFICE: TOUR TOTAL - 24 COURS MICHELET, PUTEAUX (HAUTS DE SEINE) FRANCE



May 1996



**COMPanies and Finance:** UK

# Standard Life plans to sell stake in Bank of Scotland

By George Graham, Banking Correspondent

WSERVE STAY LANGE

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Bank of Scotland's share price climbed 14p to 2521:p yesterday after Standard Life, the assurance group, said it was working on the sale of all or part of its 32.2 per cent stake in the

But bankers said the stake was more likely to be placed with UK institutional investors than sold to a potential predator, and doubted that the sale

would trigger a bid. Standard bought the stake from Barclays Bank in 1985, not long after a hostile bid from Hongkong and Shanghai Bank for its Edinburgh com-petitor, Royal Bank of Scotland, had been blocked by the

tish economic nationalism.

mission amid a blaze of Scot- a single investment". "Standard Life continues to have confidence in Bank of might lead to a more concrete Scotland's prospects and strat-

added.

egies, but we nevertheless

believe it could be in the inter-

ests of our policyholders to

rebalance our equity portfolio

by realising some or all of our

stake in Bank of Scotland," he

Standard bought the stake in 1985 after a hostile bid from Hongkong and Shanghai Bank for Royal Bank of Scotland had been blocked

partnership have produced lit-

But Bank of Scotland's Strong profits record has helped the stake to grow sixfold. Today it is worth almost £950m, accounting for around 7 per cent of Standard's UK

Standard, which is being advised on the sale by Lazard Mr Scott Bell, Standard's Brothers, is most likely to keep group managing director, said a normal investment stake in

Bank of Scotland, but in the interests of its policyholders the life assurer is obliged to remain open to anyone ready to offer a premium for its entire stake.

The possibility of a bid drew immediate warnings from Scottish politicians and from trade

Mr Alex Salmond, leader of the Scottish Nationalist Party. said the government should declare now that any hostile bid would be referred to the

land would be expected to offer more than 300p per share, valuing the bank at around £3.6bn.
Bank of Scotland is generally reckoned to be one of the most

Any bidder for Bank of Scot-

# hopes to reunite

Ladbroke, which owns Hilton International, said yesterday that talks were continuing with Hilton Hotels of the US on "a range of ways of reuniting the Hilton brand".

Talks on a range of options, including a possible merger of the hotel activities, were at a very early stage, said Mr Peter George, chief executive, after the hotel and gaming group's

annual meeting in London.
"There have been no decisions – we are looking at what may work," said Mr George, who has had a couple of meetings with Mr Stephen Bollenbach, chief executive of Hilton

"Steve seems to share my view that something can and should be done - and that's where we are," he said. The two expected to meet

again soon, but no definite date had been arranged. Earlier Mr John Jackson, chairman, told shareholders that profits in the first four months were ahead of last year, with the hotel side per-

# Ladbroke Bell Cable losses widen despite revenue rise

By Christopher Price

Bell Cablemedia, the UK's third largest cable operator. yesterday reported deeper losses and a sharp rise in income for the first quarter as it attracted more subscribers while continuing to build its network.

Net losses of £19.5m com-pared with £1.2m net income in the same period in 1995. However, last year's figure was inflated by a one-off gain of £9m from the flotation of Videotron, in which Bell retains a 26 per cent stake.

The latest quarter's figure was also affected by the financ-ing costs associated with a £275n loan and the higher depreciation costs of the Television churn fell by 2.7 per- 22.2 per cent.

Losses before interest, tax depreciation and amortisation

were £3.5m (£2.2m), and before tax, losses of affiliates and minority interest, the deficit reached £17.97m (£2.5m profit). Total revenues rose by 87 per cent to £15.8m. This included a near doubling of revenues from telephony to £8.9m. The number of telephone subscribers grew from 61,000 to 111,000 year-on-year, with 12,000 added over the last quarter. The churn rate the level at which customers fail to renew - fell

slightly to 16.8 per cent. There were similar increases in television subscription rates, taking the total to 125,000. Revenue rose from £3.8m to £6.9m.

Mr Dan Somers, chairman and chief executive, said Bell had changed its marketing methods and the results showed the first reward from this. He refused to comment on whether it would pursue its option to buy the remainder of

Bell has also changed the method of calculating penetration rates a measure of what percentage of potential subscribers opt to take cable. The revised rates represent the number of homes passed, as opposed to the number of homes marketed. Penetration for television rose to 18.7 (17.9) per cent. Under the previous method, they were steady at

	THETION	ver (Em)		v-tax k (žm)	EP1	S (p)	Content payment (c)	Data of payment	··· Dividends ··· Corresponding dyndend	Total for year	Total las year
Anglo Pacific Res § Yr to Dec 31 &	3.3	(4.1 )	61.♠	(0.856L)	8.8L	(1.59L.)	-	-	-	-	
Bell Cablemedia 3 mths 10 Mar 31	15.8	(8.46)	19.5L	(1.17 <b>9</b> )	6 3L	(0.4)		-	-	-	-
Fenner 6 miths to Feb 29	126.3	(105.5 )	8.25	(5.51)	5.61†	(4.27)	1.7贵	Aug 2	1.5	-	4.5
Greenhills &	ա	(-)	0.413L	(-)		(-)			-	-	
Kunick 6 miles to Mar 31	58.7	(50.6)	4.01	(7.82 <b>9</b> )	0.55±	(1.75)	0.3	July 12	0.25	-	0.6
Maid 3 mths to Mar 31	4,49	(2.82 )	1.43L	(0.211 )	1.61L†	(0.17 )	-	-	-	-	-
Investment Trusts	MAY	¥ (p)		bestreijde 195 (201)	Ps	S (p-)	Current payment (p)	Osto ol payment	Corresponding dividend	Total for year	Total les year
F&C Eurotrust 6 miles to Mar 31	296.6	(215.2 )	1.05L	(0.897L)	1.68L	(1.47L )	<del></del>	-	-	-	1.25

### **US side hits Premier Health**

Premier Health Group, the health services company, warned yesterday that its US nursing subsidiary had struggled to fulfil some hospital contracts for 1996 due to changed visa require-

Mr Eprhaim Barsam, chief executive, said changes in immigration practice had prevented it from employing sufficient numbers of non-US

contract nurses. He gave no details of the extent of under-performance but said the company still hoped to make a profit in 1996.

Mr Barsam forecast the adverse US trend would be reversed by the end of the third quarter through its use of "more traditional" immigration procedures.

Its new UK subsidiary had agreed a number of hospital contracts which would substantially offset the US shortfall, he added.

### **NEWS DIGEST**

# Easter timing helps BAA

The seven airports owned by BAA handled 7.6m passengers in April, an increase of 1.9 per cent on the year before. BAA said the small increase was the result of Easter falling earlier this

BAA said that taking March and April together, there was a 6.3 per cent increase over last year. Scheduled European traffic in April was 1 per cent lower than last year. European

charter traffic was 9 per cent down. However, there was an increase in long-haul traffic. North Atlantic traffic rose 3 per cent and other routes 5 per cent. Domestic markets and traffic between Ireland and the UK rose

London's Heathrow airport saw traffic fall 1.4 per cent. Traffic at Gatwick was up 2.3 per cent and Stansted passenger

### Trio in Hong Kong merger talks

Yagi Euro Corp with a view to merging their respective money broking interests in Hong Kong. Martin Brokers (Hong Kong), its Hong Kong subsidiary employs about 50 people and contributes about 10 per cent of the group's worldwide operations. In the year to September

Trio made pre-tax losses of £11.8m and closed desks in London, Hong Kong and Tokyo, pulling out of Singapore entirely. Euro Brokers and Yagi Euro operate in the region through Yagi Euro (Hong Kong), which is similar in size to Martin

Brokers (Hong Kong). Mr David Hagan, Trio executive chairman, said: "The non financial merger of our interests with those of our competitor will make a stronger unit." He expected the deal to be completed by the end of June.

### Oxford Molecular \$3.25m buy

Oxford Molecular, developer of software for designing pharmaceuticals, has conditionally agreed to buy DPS Acquisition of the US, a subsidiary of Cray Research. It is paying \$3.25m (£2.13m) for the intellectual property rights relating to its UniChem software. Some \$2.5m of the purchase price will be satisfied by the issue of Oxford Molecular shares, the rest in

Molecular has also concluded an agreement under which Cray will become a distributor of the UniChem software product, and Molecular will develop future versions of the product and receive a Cray supercomputer.

The proposed acquisition is partly conditional on the new ordinary shares being admitted to the Official List.

### Westminster Health share sale

Tenet Healthcare Corporation, the US hospitals business, has disposed of its entire 42 per cent stake – for some £85m – in Westminster Health Care Holdings, which runs retirement and nursing homes.

The sale of the 26.9m shares was arranged via Tenet subsid-

iary NME International (Cayman). They were sold to Cazenove in a bought deal and placed with investment clients by Caze-nove in conjunction with Collins Stewart.

Tenet's stake was reduced to 42 per cent when Westminster floated in 1993 and the US company agreed not to sell for three months after Westminster's rights issue last August.

### GPG sells 850,000 Pico shares

Guinness Peat Group, the UK investment vehicle of Sir Ron Brierley, the New Zealand entrepreneur, is selling 850,000 shares in Pico, a US insurance and investment holding company to Ondaatje Corporation, the Canadian investment group. The sale will be made in in two tranches for a total of \$15.3m (£10m). GPG held 2.06m Pico ordinary shares, about 40 per cent, and

at December 31 their book value was £5.56m. In 1995 GPG's share of Pico's income contributed £4.78m to pre-tax profits. GPG will retain 1.21 shares, representing 24 per cent, and Pico will accordingly cease to be an associate.

### Anglo Pacific Resources slips

Anglo Pacific Resources, USM-quoted mineral exploration and coal group, tipped from a restated £856,000 pre-tax loss into a deeper f6m loss for the year to December. It said Ledmore Marble, its UK explorer and developer, was mostly responsible and that it would be rationalised.

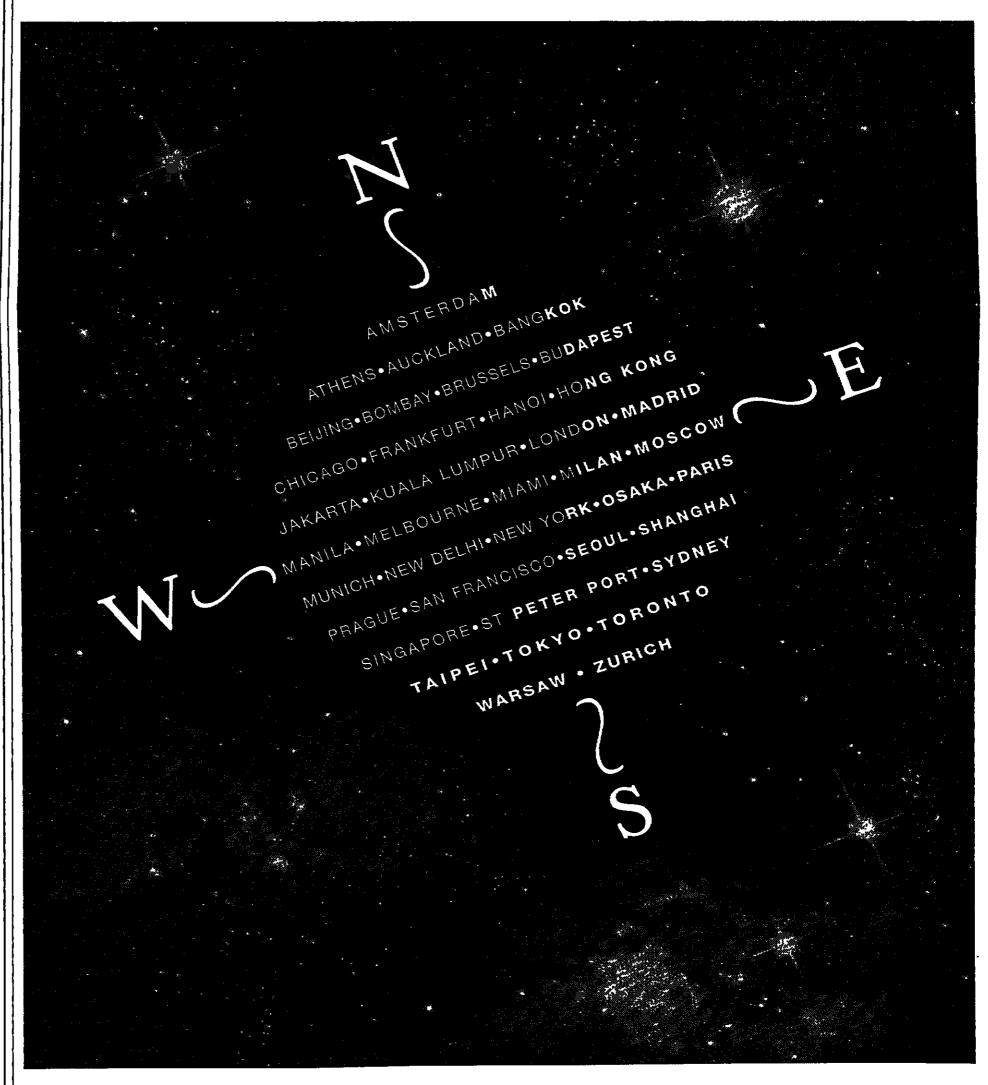
APR took a £1.8m restructuring charge for changes intended to make more money from its Australian coal operation and Fife Silica Sands, and to cut the size of its head office. File Silica Sands, and to cut the size of its head office.

Sales slipped from £4.1m to £3.3m, and the operating loss increased from £479,000 to £3.8m, after a £3.49m cost of accelerated depreciation, mostly for Fife Silica Sands.

A change in accounting policies led to net assets being reduced by £72.2m to £9.5m; the group reversed last year's decision to revalue tangible and intangible assets after consulting its new auditors, Price Waterhouse.

Losses per share increased from 1.59p to 8.6p. The company is shortly to ask shareholders to agree to a reduction in share capital that will eliminate the deficit on the profit and loss account and allow the company to resume dividend payments. The company plans to take a full listing this year.

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### INTERNATIONAL PEOPLE

### Pioneer appoints a new president

Pioneer, the Japanese specialist maker of audio-visual equipment, has named Kaneo Ito as its new president. He will be succeeding Seiya Matsumoto, who is to become chairman and representative director, following approval at a shareholders meeting scheduled for June.

Ito, who joined Pioneer after a stint at a textiles company, has had experience marketing the company's products in Europe, where he spent a total of about 12 years, and has worked for many years in the company's international field, as director of international business.

His appointment to the top job at Pioneer is a measure of the growing global nature of Japanese consumer electronics companies. Nobuyuki Idei, who was appointed president of Sony last year, has also spent many years in Europe.

The road ahead does not look smooth for Ito. Pioneer, which has developed its business in recent years on the basis of its laser video discs,

has seen demand for laser discs, particularly in the karaoke market, slump in recent years.

The company has suffered a drop in recurring parent profits - from Y16.5bn in the year to March 1993 to Y652m last year. In the last financial year (to March 1996) Pioneer is expected to post a recurring loss of Y15bn, mainly due to poor karaoke laser disc sales and inventory build-ups in the US and Europe.

### Fresh top echelon appears at Novartis



previously chief financial

officer for General Magic Inc.

financial officer, is joining the board of TRIARC. John Barnes

executive vice president and

Graniteville, Triarc's textile

subsidiary, which was sold to Avondale Mills, has been

president. Barnes is expected

financial officer when Levato

Charles Van Swearingen has

joined MICHIGAN NATIONAL

by National Australia Bank, as

CORPORATION, now owned

chief financial officer and

was previously senior vice

president and director of

Financial Corporation in

Pittsburgh, Pennsylvania.

■ David Gordon, has been

vice president and senior

Nonwovens.

division president of Dexter

executive vice president. He

financial planning for Integra

appointed by manufacturer of

speciality materials DEXTER CORPORATION, as corporate

■ Joseph Levato, executive

vice president and chief

chief financial officer of

appointed as senior vice

to become Triarc's chief

retires later this year.

to form Novartis, have revealed the top 300 people to run the new company. They are the and sector heads around the world. They will take up their posts when

the company becomes operational

the Swiss drugs

companies in the

process of merging

after regulatory approvals. Under Pierre Douaze, head of pharmaceuticals - easily the biggest division – Paul Herrling of Sandoz will be

responsible for drug discovery. Drug development will be run by Jorg Reinhardt and William Jenkins from Ciba who will handle pre-clinical and clinical development respectively.

Doug Watson, currently president and chief executive of Ciba US, will hold the same post for Novartis in the US. His Sandoz counterpart, Bill Fullagar, becomes president and chief executive of Novartis in the UK.

Stanley Sherman, chief financial officer of Ciba US, becomes chief executive and president for Speciality Chemicals North America (US:Canada). The speciality chemicals businesses will merge as part of Novartis and then become an independent company before the end of the first quarter of 1997.

Bryan Kerr (pictured) becomes regional manager of speciality chemicals for north-west Europe, and head of the speciality chemicals business support centre for north, north-west Europe and the Benelux countries. Ciba and Sandoz have formed inte-

gration teams and task forces to study ways of joining the two companies' operations. Further appointments for Novartis and Speciality Chemicals are expected in June.

### Turbulent times for Japanese banks

Humbled by piles of bad loans, and under strong political pressure to show some remorse for their role in the collarse of the country's scandalridden housing loan companies, Japan's banks are reluctantly dropping the pilot.

Three of the largest banks have inthe last month announced the early retirement of their president. Industrial Bank of Japan boss Yo Kurosawa is being replaced by his deputy Masao Nishimura, Fuji Bank president, Toru Hashimoto, is making way for the current number two, Yoshiro Yamamoto, and Mitsui Trust chief, Ken Fujii is to be replaced by vice-president Keiu Nishida. All the changes are due to take place next month. Fuji's Hashimoto and Mitsui Trust's

Fujii were obvious candidates to be forced to fall on their swords. They were, until last month, respectively head of the country's main bankers' association and head of the trust banks' association. In Japan it is customary for those in such positions of responsibility without power to do the

decent thing when times are rough. But the fate of IBJ's Kurosawa, one of the few colourful figures in Japan's grey banking world, suggests the cull of bank heads may extend beyond the reach of office holders at industry

associations. Cabinet ministers and finance ministry officials have called upon all banks' senior managers to reflect carefully on their own culpability for the financial mess of the last few years. If, as would seem prudent, the bank bosses take them at their word, the procession may only have just

All three former presidents will remain in senior positions at their banks, though. Hashimoto and Fuiii will both become chairman of their respective institutions. Kurosawa will be staying on at IBJ as an adviser.

### ON THE MOVE

■ Frank Rühland, currently responsible for the treasury DEPFA-BANK, has been appointed general manager. ■ Peter Wack, 49, general manager of the textile fibres business unit, has been appointed to the management board of AKZO NOBEL FASER.

■ Robert Brougham becomes senior vice president and managing director, Asia Pacific division for HELLER INTERNATIONAL GROUP, the international arm of Heller Financial, a subsidiary of Fuji

■ Gerald Sokol, vice president of finance of TELE-COMMUNICATIONS Inc's TCI Communications unit, has resigned **■** Judith Campbell becomes senior vice president and

manager of PNC BANK CORPORATION's direct bank unit. She was senior vice president and head of operations and technology at Midlantic Corporation. ■ Marcus Randolph has been appointed president and director of FIRST DYNASTY MINES. This coincides with the restructuring of First Dynasty and the move of its corporate office to Singapore.

■ Jyunichiro Miyazu has been appointed as president of NIPPON TELEGRAPH AND TELEPHONE, replacing Masashi Kojima, who becomes chairman. Shigeo Sawada becomes a vice chairman. ■ Dennis Raney, 53, joins ■ Richard Slenker has been CALIFORNIA MICROWAVE as appointed senior vice president executive vice president and and chief technical officer of chief financial officer. He was AMERICAN SKY

BROADCASTING. ■ Masao Kobayashi, senior managing director of NIPPON PAPER INDUSTRIES, has been TELECOM. appointed as president, replacing Takeshiro Miyashita

who becomes chairman Laurent Vieillevigne has been appointed as managing director of French pharmaceuticals group PIERRE FABRE, with responsibility for group strategy. He joins from Lazard ■ Arthur Lipper has been appointed to the newly created

INTERNATIONAL He was previously chairman of privately held British Far East Ltd. of San Diego.

Bruce Churchill has been appointed to the newly created position of deputy chief executive officer of News Corporation unit STAR TV. He was previously senior vice

position of chairman at BAT

president, finance, for Fox Pelevision ■ Carlo Salvatori has resigned as managing director of BANCO AMBROSIANO

■ Eduard Kauffmann, former director of Goldman Sachs in Hong Kong, has been named a managing director and head of BANKERS TRUST's Capital Markets Business in Zurich. ■ Craig Huff, a principal at Ziff Brothers Investments, has been appointed to the board of SANTA FE ENERGY RESOURCES. ■ David Emerson, president

and chief executive officer of the Vancouver International Airport Authority, has been elected as a director of BC

■ Joseph Formichelli has been appointed as president and chief executive of HAYES MICROCOMPUTER PRODUCTS. His previous post was as vice president of worldwide operations for IBM

Sam Levin, senior director of strategic sales at Mindscape, has been appointed to the board of TOTALLY HIP SOFTWARE.

■ Carlos Perez de Bricio has been appointed as president and managing director of Spanish oil group CEPSA. R. Blom, chairman of the board of directors at publisher

PERSCOMBINATIE and board member of publisher PCM Uitgevers has resigned. C. Smaling, currently PCM's board chairman, becomes acting chairman. ■ Dieter Draeger has been

appointed chairman at RWE-DEA AG FUER MINERALOEL UND CHEMIE of Hamburg, with effect from January 1997. He succeeds Peter Koch, who is retiring. Georg Schoening has been appointed board member from the same date. He will be responsible for the chemicals

■ Rainer Marquart, 41, has resigned from the management board of ESCOM AG and

management of Escom Computer Vertriebs. ■ Ubaldo Livolsi, has been nominated a managing director of Italian TV and publishing group MEDIASET. Livolsi is already on the board of Mediaset and also a board member of Fininvest. ■ Lex Vermeeren, who stepped down as deputy chairman of the management board of

AKZO NOBEL on May 1, has been appointed chairman of the supervisory board following the retirement of the former chairman Haye van der

■ Luis Niño de Rivera has become president of DRESDNER BANK MEXICO. He was formerly president of Arrendadora Financiera Mexicana and of Factoring

Corporative. Aldo De Sario has been appointed chairman of SIRTL the engineering division of the Stet group, replacing Francesco Gelfi. ■ Ian Melrose has been appointed a non-executive director of WHARF

(HOLDINGS). Melrose is chairman of OCL, a computer services company wholly-owned by Wharf. ■ Clive Ingham has been appointed by MOORE CORPORATION, the

Toronto-based information services group, as president of Moore Europe services group, in Paris. Joel Gold has joined LT

LAWRENCE & Co., the New York-based investmen banking and brokerage firm, as executive vice president in charge of the the firm's investment banking department. He was previously managing director, investmen banking, of Fechtor, Detwiler

■ Gary Lieberman, a managing director in the fixed income division, has been named head of BEAR STEARNS INVESTMENT ADVISORS, a subsidiary of Bear, Stearns & Co providing investment advisory services to participants in the international mortgage asset-backed and global fixed income markets. Warren Lee has been appointed as head of Asian Securities at DEUTSCHE MORGAN GRENFELL. He joins from Barclays de Zoete Wedd, New York. Tan Yong. Seng has joined Deutsche Morgan Grenfell as head of equities, Indonesia.

### International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to fine All the state of t

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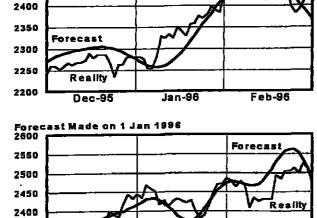
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May 14, 1996. These securities having been sold, this announcement appears as a matter of record only.



Wiesbaden, Federal Republic of Germany

### **DM** 5,000,000,000 5.25 % Öffentliche Pfandbriefe of 1995/2000

Lead Managers and Market Makers:

**Bayerische Hypotheken**und Wechsel-Bank Aktiengesellschaft

Bayerische Landesbank Girozentrale

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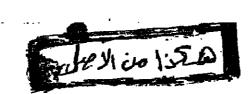
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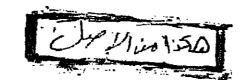
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Mar-96



### COMMODITIES AND AGRICULTURE

# Russia digs deep into platinum stocks

By Kenneth Gooding, Mining Correspondent

TUESDAY ANY 18 1986

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> Russia dug deep into its stockpiles to export record quantities of platinum and pal-ladium to the West last year and raised about US\$1bn that it desperately needed to help cover its budget deficit.

The republic was taking advantage of the boom in sale of electronic equipment such as computers, mobile telephones and wide screen televisions that helped to drive platinum and palladium demand to record levels, according to the latest market review by Johnson Matthey, the world's biggest platinum group metals marketing group.
Platinum is used, among

other applications, in the equipment for making high quality glass for liquid crystal displays and cathode ray tubes for desk top monitors. The metal is also increasingly being employed to coat data storage discs Palladium is an essential raw

material in most of the multilayer ceramic capacitors used in electronic equipment. JM estimates that last year Russia sold 1.28m troy ounces of platinum to the West, up from the previous record 1.01m risen by nearly 50 per cent in Russia.

Platinum an	nd P <del>alla</del> d	ium: ('000 trey ound	es)	
1995	1994	Polladium	1995	1994
		Supply		
3,370	3,160	South Africa	1,600	1,500
1,280	1,010	Russia	4,200	3,300
230	220	North America	470	410
100	140	Others	70	70
4,980	4,530	Total	6,340	5,280
4,790	4,560	Demand	6,100	4,870
+190	-30	Stocks change	+240	+410
		<del></del>		
	1995 3,370 1,280 230 100 4,980 4,790	1995 1994  3,370 3,160 1,280 1,010 230 220 100 140 4,980 4,530 4,790 4,560	1995 1994 Pulladium  3,370 3,160 South Africa 1,280 1,010 Ruseia 230 220 North America 100 140 Others  4,980 4,530 Total  4,790 4,550 Demand	3,370 3,160 South Africa 1,600 1,280 1,010 Rusela 4,200 230 220 North America 470 100 140 Others 70 4,980 4,530 Total 6,340 4,790 4,560 Demand 6,100

ounces in 1994. The platinum price peaked at \$460 an ounce last year but was back to \$400 at the end 1995 and the annual

average was \$424.22. Russia also sold 27 per cent more palladium than in 1991 as its exports rose from 3.3m ounces to 4.2m. The palladium price averaged \$151.28 an

The need for revenue was probably the principal motive for the jump in Russian exports]," says Ms Alison Cowley, author of the JM review. "But the Russians are also thought to be concerned that higher prices might trigger increased substitution of palladium in the electronics sector." Palladium shinments have

the past two years and nearly all the extra metal originated in Russia. JM estimates at least half of last year's Russian supplies were drawn from state

Apart from deliveries to the electronics industry, which increased by 19 per cent to 2.65m ounces last year, palla-dium sales also benefitted from a big switch from the use of platinum to palladium in automotive anti-pollution catalysts. Autocatalyst demand increased by 77 per cent to

1.73m ounces Total palladium demand was 25 per cent ahead at 6.1m ounces. Supply rose by 20 per cent to 6.34m ounces, mainly because of shipments from

higher than those of platinum because Russia used very little palladium domestically, Russia would like to wind down its platinum stocks gradually but the pressure has been on to produce revenue. It is unlikely that Russian platinum stocks will last into the next century". Platinum demand last year rose to a record 4.79m ounces,

dium stocks are quite a bit

according to JM, while supply was up by 10 per cent to 4.98m ounces. JM predicts that industrial demand for platinum, which in 1995 reached the highest level for 16 years - 990,000 ounces - will remain firm in 1996 while demand from the automotive industry is expec-ted to be "stable." A "modest" rise in demand from the jewellery industry is expected. However, South African supplies are predicted to increase and the Russians already have indicated they will maintain sales at 1995 levels. Ms Cowley points out: "The platinum supply surplus last year was equivalent to only two weeks consumption but these surpluses have a disproportionate impact on market sentiment." Platinum 1996: Free from Johnson Matthey, 78 Hatton Garden, London EC1N &JP, England.

Compiled from Reuters

to customers.

### MARKET REPORT LCE cocoa 8-year highs

London Commodity Exchange COCOA futures raced to eight year highs in early dealings yesterday on investment fund buying and speculative cover-ing. But prices ended off the peaks after profit-taking and possibly some producer selling trimmed the gains, traders

The July contract closed £26

up on the day at £1,136 after touching £1,138 - the highest level since January 1988. Squeeze fears persisted, keeping the September contract at a high premium to March 1997. At the London Metal Exchange trade and commis-

sion house buying helped to lift COPPER prices in late trading, traders said. The ending of a 10-day strike at Codelco's Chuquicamata, the world's largest copper

mine, in Chile earlier helped to dampen sentiment. Miners returned to work at the state-owned, 610,000 tonnes-a-year unit on Sunday and Codelco said production processes would be "totally normalised" within 48 hours, although it might still have to make minor copper purchases to meet contracts obligations

# **Privatisation close** futures touch for Philippine's Nonoc nickel mine

By Edward Luce in Manila

The Philippine government's long quest to privatise Nonoc. the country's largest nickel mine, will be sewn up this week when the operation is sold off to a British-led consortium for US\$333m.

The sell-off, which will be the biggest mining privatisation in the country's history, comes ten years after the oper-ation was foreclosed because of bad debts and falling world nickel prices.

Led by Pacific Nickel - a British consortium in which National Westminster Bank's Hong Kong affiliate, Wheelock-Natwest, and Minproc, the Australian company, have interests - the new owners will pay the money to the government over 12 years after a

three-year grace period. The mine, on Surigao island. central Philippines, will be rehabilitated over the next three years, starting with an initial capacity of 45m lb of nickel a year, rising to 68m lb at full stretch.

The US\$333m package also includes a 35,000 tonnes-a-year refinery, a 250Mw power plant and settlement of various debts

from the previous ownership Apart from nickel metal, the mine, which will employ about 3,000 workers, is thought to contain cobalt sulphide and nickel sulphide reserves.

"This is the end of a verv long process since Nonoc was taken into government hands in 1986," said Mr Gonzalo Santos, chief of the asset privatisation trust in Manila "Both parties are satisfied that the deal is fair and equita-

Officials, who say the deal is likely to be signed on Thursday, estimate that it could cost as much as US\$300m to rehabilitate the mothballed operation, which has been maintained at government expense since it was fore-

The consortium, which will also be minority owned by Evaristo Narvaez, a local shareholder, is expected to divide the rehabilitation costs between equity and debt finan-

cing.
"Rehabilitation is likely to be expensive because the mining equipment for Nonoc needs to be specifically tailored to the mine's unusual needs," said Mr

# PNG may float mineral company 'within months'

By Nikki Tait in Sydney

A flotation of Papua New Guinea's Mineral Resources Development Company could take place "within the next few months", Sir Julius Chan, PNG's prime minister claimed try's perilous economic situain Sydney yesterday.

The MRDC holds the PNG government's stakes in a number of large mining projects in PNG - including the Kutubu oil development, and the Ok Tedi, Porgera and Misima mines. Its assets have been valued at around 800m kina (US\$800m).

Sir Julius acknowledged that some advisers and observers had argued that the muchmooted float of a 49 per cent

interest in MRDC could not realistically be attempted until PNG reached agreement with the World Bank over the second tranche of a "structural adjustment" programme designed to address the coun-

The World Bank recently opened a 90-day window - ending on July 17 - during which it wanted to see previously agreed reforms implemented, before continuing with the pro-Sir Julius said, however, that

he did not view World Bank agreement as a pre-condition to the MRDC float. "It would be nice if we could conclude the World Bank [talks] but

Precious Metals continued

even without the conclusion, [the float's] prospects are still very good," he said.

He claimed that the spread of interests within MRDC should make it a stable investment vehicle and that the current gold price was also help-

Asked whether a trade sale of the assets held by the MRDC was still a possibility, rather than a float, Sir Julius played down, but did not entirely rule out, the option. "At this stage we are going for a float," he said, "but if someone wants to come in over the float it's a lot cleaner.'

In an effort to rally flagging investment support for PNG. the prime minister told a min-

**GRAINS AND OIL SEEDS** 

ing investment conference that there would be a moratorium on "any further amendments to PNG's policies governing the mining and petroleum sec-tor" until the year 2000 assuming his government is reelected next year. The only exception might be "possible

JM expects continued growth

in palladium consumption for

electronics and autocatalysts

in 1996 and suggests that

newly mined supplies will be

augmented by further substan-

tial sales from Russian stocks.

The palladium price is pre-

dicted by JM to trade between

\$120 and \$150 an ounce this

It also suggests the platinum

price will range between \$390

and \$430 an ounce for the rest

JM says about 600,000 ounces

of the Russian platinum sold in

1995 was drawn from govern-

ment stocks. Russia says

details of platinum and palla-

dium stocks are a state secret.

Ms Cowley says: "We can

assume, though, that palla-

of 1996.

equity regulations". Sir Julius confirmed that on all new petroleum agreements, landowners would get 2 per cent "free equity" out of the state's 22.5 per cent share leaving 77.5 per cent with the developers. The developers and the state would jointly fund the landowners' slice. He was less precise on mining projects, but said that the government

SOFTS

E COCOA LCE (C/tonne)

adjustments to landowner

was looking at up to 5 per cent "free equity" for landowners, although that "will depend entirely on a project by project

But the PNG prime minister admitted that greater access to countries within the former Soviet Union and to mining opportunities in Latin America and parts of Asia now meant that there was big competition for exploration dollars. He quoted figures purporting to show up in petroleum exploration expenditure would increase from 117m kina in 1995 to 190m kina this year, but also admitted that mining exploration expenditure had shumped to just 36m kina in

# Chicago grain prices bounce

By Laurie Morse in Chicago

Continuing rains and cool weather in the northern plains of the US midwest hampered spring seedings over the weekend and helped boost grain prices at the Chicago Board of Trade yesterday morning.

Spring-planted wheat and maize have become critical to meeting world grain needs now that it appears the US winter wheat harvest is going to be the worst in nearly 20 years. In its first official estimate of winter wheat production, the

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000/bs; cents/bs)

this year, down 12 per cent from last year's poor harvest. As traders expected, the agency said the worst drought in 100 years across the midwest's southern plains, combined with killing winter weather, decimated the crop.

US Department of Agriculture

said farmers would reap just

1.36bn bushels of winter wheat

The report, based on a survey of crop conditions done May 1, put Kansas wheat production at 182.6m bushels. Kansas usually produces threequarters of US winter wheat and has not had a harvest

**JOTTER PAD** 

smaller than 200m bushels since 1963. However, the agency also

said that record high prices for wheat would greatly expand spring wheat seedings in the northern plains this season. and would also inspire farmers to seed maize in areas where wheat had failed if there were timely rains.

Chicago grain futures prices tumbled on Friday in response to those planting estimates and on the USDA's forecast that world-wide wheat production would expand 8.2 per cent to 578.5m tonnes this year.

### **COMMODITIES PRICES**

BASE METALS LONDON METAL EXCHANGE Prices from Amalosmated Metal Trading) E. ALLIMBERIA, 92.7 PURITY & per tonne 1664-65 1669-70 1870/1659

	AM UNICIBI	1627-28	1652-63
	Kerts close Open int.	215.844	1925-93
	Total daily turnover	98.645	
	•		
	E ALUMINIUM ALL	OY (5 per tonn	<u> </u>
	Close	1355-65	1395-40
	Previous	1370-80	1410-15
	High/low		1403/1400
	AM Official	1355-56	1395-400
	Kerb close		1395-405
	Open int.	5.424	
	Total daily turnover	1,962	
	E LEAD (\$ per tonne	9	
	Close	849-4	837.5-8
	Previous .	850-62	840-42
	High/low	842	842/834
	AM Official	840-1	837-7.5
	Kerb close	oc een	837-8
	Open inf.	35,559 10,049	
	Total daily turnover	=	
	MICKEL S per tor	ine)	
	Close	8280-90	8385-90
	Previous	8275-78	B410-15
	High/low		8400/8310
	AM Official	B275-80	8370-75
	Kerb close		B370-75
	Open int.	41.962	
	Total daily turnover	18.339	
	<del>-</del>		
	P TIN (5 per torne)		
	Close	6580-90	6585-90
	Previous	6550-60	6555-60
	High/low		6585/6550
4	AM Official	6555-65	6560-62
•	Kerb close		6580-85
	Orpern int.	16,641	
	Total daily turnover	4,689	
	W ZINC, special high	h grade (\$ per	tonnel
	Close	1039-40	1066-67
	Previous	1043-44	1069-70
	High/low	1040	1071/1064
	AM Official	1040-40.5	1067.5-69
	Kerb close		1070-71
	Open int.	74.416	
	Total daily turnover	20,937	
	E COPPER, grade A	(\$ per tonne)	
		27/0-75	2675-76
	Close	2770-15 2772-77	2672-73
	Previous	2112-11	2688/2658
	High/low	2767-68	2668-69
	AM Official	21000	2666-87
	Kerb close	175,178	
	Open int.	88,074	
	Total daily furnitives		70
	LIME AM Official	este: 1.5158 (este: 1.5158	<i></i>

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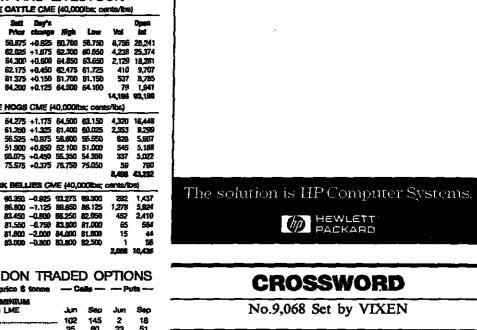
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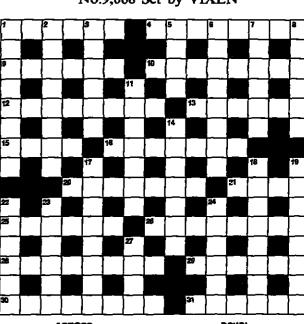
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flor Total	17.48	+0.06	17.51	17.41	718 342	4.759	Oct	248,6 245,5	+1.2 +2.0	290.5 248.5
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Slov Total	17,48 17,32 ATING C Latest price	+0.05 +0.05 HL KYNE Cay's change	17.51 17.32 EX (42,0)	17,41 17,27 00 US ga Lawr	718 342 25,150 its.; &US Voi 7,209	4,759 192,487 galls.} Open int 22,119	Det Dec Tetal POT Jun Hov	248,6 245,5 245,3 FATOES 225,0 82,5	+1.2 +2.0 +1.9 LCE (E	290.5 248.5 246.2 /tonne)
Blov Total All HTE	17.48 17.32 ATING C Latest price 55.80 53.30	+0.05 +0.05 HL MYME Change +0.85 +0.22	17.51 17.32 EX (42.0X High 58.45 53.85	17.41 17.27 00 US ga Law 54.95 53.15	718 342 25,150 its.; c/US Wel 7,209 4,632	4,759 192,487 ; galls.} Cepen int 22,119 16,177	Det Dec Total E POT Jun Hev Mer	248.6 245.5 245.3 FATOES 225.0 82.5 110.0	+1.2 +2.0 +1.9 LCE (E	290.5 246.5 246.2 Atonne)
Siev Total A HE Jos Jos Jos Jos Jos	17,48 17,32 ATING C Latest price 55,80 53,30 52,90	+0.05 +0.05 *L MYME Change +0.85 +0.22 +0.17	17.51 17.32 EX (42.00 High 56.45 53.85 53.30	17.41 17.27 00 US ga Lawr 54.95 53.15 52.85	718 342 25,150 its.; c/US Wol 7,209 4,632 1,418	4,759 192,487 ; galls.} Open int 22,119 16,177 13,905	Det Dec Total M POT Just Her Mer Apr	248.6 245.5 245.3 FATOES 225.0 82.5 110.0 135.5	+1.2 +2.0 +1.9 LCE (E	290.5 246.5 246.2 Atonne)
flow Total # HE .km .km .km .km .km .km	17,48 17,32 ATING C Latest price 55,80 53,30 52,90 53,30	+0.06 +0.05 Cary's change +0.85 +0.22 +0.17 +0.17	17.51 17.32 50 (42.00 High 56.45 53.85 53.85 53.65	17.41 17.27 00 US ga Law 54.95 53.15 52.85 53.20	718 342 25,150 Ib.; c/US Vol 7,209 4,632 1,418 410	4,759 192,487 igalls.) Open int 22,119 16,177 13,905 8,465	Dect Dec Total  POT Just How Hor Apr Year	248.6 245.5 245.3 FATOES 225.0 82.5 110.0 135.5	+1.2 +2.0 +1.9 LCE (E	290.5 246.5 246.2 Atonne)
Siev Total A HE Jos Jos Jos Jos Jos	17,48 17,32 ATING O Latest price 55,80 53,30 52,90 53,30 53,75	+0.05 +0.05 Cary's clange +0.85 +0.22 +0.17 +0.17 +0.07	17.51 17.32 50 (42,00 High 56.45 53.85 53.80 53.65 54.00	17.41 17.27 00 US ga Law 54.95 53.15 52.85 53.20 53.70	718 342 25,150 its.; \$45 Voi 7,209 4,632 1,418 410 398 395	4,759 192,487 ; galls.) Copes int 22,119 16,177 13,905 8,465 4,588 4,841	Oct Dec Total III POT Jun Hor Hor Hor Hor Total	248.6 245.5 245.3 245.3 225.0 82.5 110.0 135.5 141.8	+12 +20 +1.9 LCE (E	250.5 246.5 246.2 Atome) - - - 137.5
flow Total # HE .km .km .km .km .km .km .km .km	17,48 17,32 ATING O Latest price 55,80 53,30 52,90 53,30 53,75	+0.05 +0.05 Cary's cleange +0.85 +0.22 +0.17 +0.17 +0.07	17.51 17.32 50 (42,00 High 56.45 53.85 53.80 53.65 54.00	17.41 17.27 00 US ga Law 54.95 53.15 52.85 53.20 53.70	718 342 25,150 its.; \$45 Voi 7,209 4,632 1,418 410 398 395	4,759 192,487 ; galls.) Copes int 22,119 16,177 13,905 8,465 4,588 4,841	Det Dec Total  POT Aus Nov Apr Year Total  FRE	248,6 245,5 245,3 7ATOES 225,0 82,5 110,0 135,5 141,0	+12 +20 +1.9 LCE (E - - -5.5 - (IFFEX)	290.5 246.5 246.2 Atomine) - - 137.5 - LCE (\$10
flow Total ## HTE  Jan Jan Ang Sap Oct Nov Total	17.48 17.32 Latest price 55.80 53.30 52.90 53.75 54.30	### 1997   ### 1998   ### 1999								
flow Total ## HTE  Jan Jan Ang Sap Oct Nov Total	17.48 17.32 ATING C Latest price 55.30 52.90 53.30 52.75 54.36 \$ Oil. PE	+0.05 +0.05 HL MYME +0.85 +0.85 +0.22 +0.17 +0.17 +0.07 +0.02	17.51 17.32 56.45 53.85 53.85 53.90 54.00 54.75	17.41 17.27 00 US ga Law 54.95 53.15 52.85 53.20 54.25	718 342 25,150 Ib.; a/US Vol 7,209 4,632 1,418 410 398 395 16,355	4,759 192,487 i galls.) Open int 22,119 16,177 13,905 8,465 4,588 4,841 98,172	Cleck Doc Total POT Just How May Total FRE Hay Just	248,5 245,5 245,3 7ATOES 225,0 82,5 110,0 135,5 141,0 1413 1324 1272	+12 +20 +1.9 LCE (E - - - - - - - - - - - - - - - - - - -	250.5 246.5 246.2 Atomne) - - 137.5 - LCE (\$10 1420 1320 1276
Herr Total As HE Jan Jan Ang Sep Oct Herr Total	17.48 17.32 ATING C Latest price 55.30 52.90 53.30 53.75 54.30 \$ OIL PE	+0.05 +0.05 HL MYME +0.85 +0.22 +0.17 +0.17 +0.07 +0.02 (\$\$\text{Postal}\$)	17.51 17.32 56.45 53.85 53.85 53.90 54.75	17.41 17.27 20 US ga 54.95 53.15 52.25 53.20 54.25	718 342 25,150 (b.; c/US Vol 7,209 4,632 1,418 410 396 365 16,355	4,759 192,487 i galls.) Open int 16,177 13,905 8,455 4,584 4,841 98,112	Dec 10es Total POT Just POT May Total E FRE May Just Just POS Dec 10es POS	248.6 245.5 245.3 245.3 285.0 82.5 110.0 135.5 141.0 1613 1324 1413 1324 1272 1386	+12 +20 +1.9 LCE (E - - +6.5 - - 19FEX)	250.5 246.5 246.2 Atomne) - - 137.5 - LCE (\$10 1420 1320 1276
Many Total And And Sop Oct 1 Total 24 GAA	17.48 17.32 ATIMG C Labrate 95.80 53.30 52.90 53.75 54.30 \$ Oil. PE Set! price 188.25	+0.06 +0.05 ML MYM6 Cary's citange +0.85 +0.22 +0.17 +0.07 +0.02 (\$#orns Day's change +2.50	17.51 17.32 EX (42.0X High 56.45 53.85 53.85 54.00 54.75	17.41 17.27 00 US ga 54.95 53.15 52.25 53.20 54.25	718 342 25,150 its.; c/u5 18.; c/u5 1,418 410 398 395 16,353	4.759 192,487 i palls.) Open int 22,119 16,177 13,905 8,465 4,588 4,588 4,881 7,588 15,960	Oct Doe	248.6 245.5 245.3 245.3 225.0 82.5 110.0 136.5 141.0 1413 1324 1272 1386 1390	+12 +20 +1.9 LCE (E - - -5.5 - - IFFEDQ +1 +9 +4 +5	250.5 246.5 246.2 Atomne) - - 137.5 - LCE (\$10 1420 1320 1276
Mover Total Market Mark	17.48 17.32 ATING C Latent 155.80 53.30 52.90 53.75 54.30 \$ OIL PF Set! price 188.25 184.75	+0.06 +0.05 Gary's change +0.85 +0.82 +0.17 +0.17 +0.07 +0.02 Shorts change +2.50 +1.50	17.51 17.32 50 (42,00 56 (42,00 53,65 53,85 53,85 54,00 54,75 61 170,50 165,50	17.41 17.27 20 US 98 Low 54.95 53.15 52.85 53.20 54.25 188.00 184.50	718 342 25,150 Its.; c/US 901 7,209 4,632 1,418 410 398 395 16,353 Vel 8,110 2,542	4,759 192,487 19285.) Open int 16,177 13,905 8,458 4,841 98,172 Open int 15,960 7,910	Oct Doe	248.6 245.5 245.3 7ATOES 225.0 82.5 110.0 135.5 141.0 1613 1324 1413 1324 1327 1355 1390 1382	+12 +20 +1.9 LCE (E +6.5 - +6.5 - 1 +9 +4 +5 - -21	250.5 246.5 246.2 Atomne) - - 137.5 - LCE (\$10 1420 1320 1276
Herr Total All HE Sep Oct Nov Total Aga Jen Jen Jen Jen Jen Jen Jen Jen Jen Jen	17.48 17.32 ATIMG O Latent 95.80 53.30 52.90 53.30 54.30 \$ Oil. PF Set! price 188.25 184.75 163.50	+0.06 +0.05 IL INVIGE Cary's change +0.22 +0.17 +0.17 +0.07 +0.02 (Shorter Day's change +2.50 +1.50 +1.50 +1.25	17.51 17.32 56 (42,00 56,45 53,85 53,85 53,85 54,00 54,75 64 170,50 165,50 164,00 164,00	17.41 17.27 00 US ga 54.95 53.15 52.85 53.29 53.70 54.25 168.00 164.50 162.25	718 342 25,150 (ks.; c/US 4,632 1,418 410 395 16,353 16,353 16,353	4.759 192,487 19285.} Open pen 22,119 16,177 13,905 8,465 4,588 4,841 98,112 Open pen rt 15,960 7,910 6,785 3,579	Oct Doe Total  II POT Jun Herr Apr Year Total  III POT Herr Apr Year Total Oct Apr Total	248.6 245.5 245.3 245.3 225.0 82.5 110.0 135.5 141.9 1613 1324 1272 1385 1390 1382 Close	+12 +20 +1.9 LCE (E +6.5 - +6.5 - - - - +6.5 - - - - - - - - - - - - - - - - - - -	250.5 246.5 246.2 Atomne) - - 137.5 - LCE (\$10 1420 1320 1276
More Total  MI HE  Jun Jul Ang Sup Oct Nov Tutal Mi GA  Ang Sup Oct	17.48 17.32 ATIMG O Latent 95.80 53.30 52.90 53.30 54.30 \$ Oil. PF Set! price 188.25 184.75 163.50	TRAILEM NYMEX (60 Troy oz.; \$froy oz.)								
More Total Amp Sep Oct Mary Sep	17.48 17.32 ATIMG O Latent 95.80 53.30 52.90 53.30 54.30 \$ Oil. PF Set! price 188.25 184.75 163.50	+0.06 +0.05 IL INVIGE Cary's change +0.22 +0.17 +0.17 +0.07 +0.02 (Shorter Day's change +2.50 +1.50 +1.50 +1.25	17.51 17.32 56 (42,00 56,45 53,85 53,85 53,85 54,00 54,75 64 170,50 165,50 164,00 164,00	17.41 17.27 00 US ga 54.95 53.15 52.85 53.29 53.70 54.25 168.00 164.50 162.25	718 342 25,150 Its.; c/US Vol. 7,209 4,632 1,418 410 398 395 16,353 Vol. 8,110 2,542 315 489 50 169	4.759 192,487 192,851 Open Int 22,119 16,177 13,905 8,455 4,585 4,585 4,584 15,950 7,910 6,782 3,519 1,993 1,227	Oct Doe Total  II POT Jun Herr Apr Year Total  III POT Herr Apr Year Total Oct Apr Total	248.6 245.5 245.3 245.3 225.0 82.5 110.0 135.5 141.9 1613 1324 1272 1385 1390 1382 Close	+12 +20 +1.9 LCE (E +6.5 - +6.5 - - - - +6.5 - - - - - - - - - - - - - - - - - - -	250.5 246.5 246.2 Atomne) - - 137.5 - LCE (\$10 1420 1320 1276
Floor Total  And And Sep Oct Mory Total  Total	17.48 17.32 ATHMG C Latent price 55.80 52.30 53.75 54.30 \$ Oil. PP 188.25 184.75 163.50 163.75 164.00 184.25	+0.06 +0.05 ML MYME Change +0.85 +0.22 +0.17 +0.07 +0.02 Exherne +2.50 +1.25 +1.25 +1.25 +1.00	17.51 17.32 EX (42.0X Fight 58.45 53.85 53.85 54.00 54.75 Fight 170.50 165.50 164.00 164.00 164.00 164.75	17.41 17.27 00 US ga 54.95 53.15 52.85 53.20 54.25 188.00 184.50 182.75 183.25 163.25 164.75	718 342 25,159 lbs; crts 4632 1,418 8,110 2,548 90 12,315 489 12,318	47,591 192,48:11 Open int 22,119 16,173 13,905 8,455 4,565 4,565 4,565 4,565 7,910 15,960 7,910 5,782 3,519 1,997 1,997 1,997 1,997 48,903	Oct Dot Total  B POT Just Herr Apr Total B FRE Hay Jos Jos Apr Total SP.	248.6 245.3 245.3 245.3 225.0 82.5 110.0 135.5 141.0 1413 1324 1272 1395 1390 1392 1492 1492	+1.2 +2.0 +1.9 LCE (E - +6.5 - +6.5 - 1 +9 +4 +5 - - - - - - - - - - - - - - - - - -	250.5 246.5 246.2 Atomne) - - 137.5 - LCE (\$10 1420 1320 1276
Floor Total  And And Sep Oct Mory Total  Total	17.48 17.32 ATHNG C Latest price 55.30 52.90 53.30 53.75 54.30 8 Oil PP 188.25 184.75 163.95 164.00 184.25	## 1404 + 40.1								
Floor Total  And And Sep Oct Mory Total  Total	17.48 17.32 ATHNG C Lainest price 55.30 52.30 52.30 53.35 53.75 54.36 8 Oil. PF 98162 184.75 164.00 184.25 164.00 184.25	+0.05 +0.05 Caryle change +0.05 +0.05 +0.05 +0.07 +0.07 +0.07 +0.07 +0.07 +0.07 +0.07 +0.02 +1.00 +1.0	17.51 17.32 EX (42.00 ES 45.55 53.55 54.00 54.00 165.50 166.00 166.25 164.75	17.41 17.27 100 US 98 Lines 54.95 53.26 53.26 53.26 53.26 53.26 53.26 53.26 53.26 53.26 54.25 168.00 164.50 162.25 163.25 163.25 164.75	718 342 32 342 345 342 345 345 345 345 345 345 345 345 345 345	4.759 192,487 192,487 192,851 196,177 13,905 8,458 4,841 98,112 0pen 101 15,960 7,910 6,782 3,519 1,999 1,227 1,999 1,227 1,999	Buct Doct Total  POT Just Share Aper Aper Just Just Aper Total  BR  FUTUR  FUTU	248.6 245.3 245.3 7ATOES 225.0 10.0 1355 141.0 141.9 141.9 1324 1272 1390 1392 2008 1442	+1.2 +2.0 +1.9 +1.9 +6.5 - +6.5 - +6.5 - +7.2 +14.5 +4.4 +5.52.1 +14.5 **	290.5 246.2 246.2 Acoine) - - 137.5 - LCE (\$10 1320 1276 1371
Siever Toutian Amp Sopo Toutian Mis GLA Amp Sopo Got Glaver Toutian Mis GLA Amp Got Glaver Toutian Mis	17.48 17.32 ATING O Latent price 55.30 52.90 53.30 53.75 54.30 8 OIL PF 8825 184.25 164.00 194.25	+0.05 +0.05  IL NYM  Cary's change +0.05 +0.17 +0.17 +0.17 +0.17 +0.02  (Shorn  -2.50 +1.50 +1.00  -1.00  SAS MM  Day's Change	17.51 17.32 21.42,00 142,00 153,00 153,00 153,00 153,00 155,00 155,00 155,00 155,00 156,00 15	17.41 17.27 10 US ga 54.15 54.25 54.25 54.25 188.00 162.75 161.25 164.75	718 3420 25,1300 16; c/US 4,622 1,418 410 395 365 16,255 16,255 199 12,318 81u: \$/m	4.759 192,485   Open int 22,119 16,177 13,905 8,455 4,584 4,584 4,841 98,172 Open int 15,960 6,782 3,579 1,899 1,327 48,903 umBbLl	Buct Doct Total  POT Just Share Aper Aper Just Just Aper Total  BR  FUTUR  FUTU	248.6 245.3 245.3 7ATOES 225.0 10.0 1355 141.0 141.9 141.9 1324 1272 1390 1392 2008 1442	+1.2 +2.0 +1.9 +1.9 +6.5 - +6.5 - +6.5 - +7.2 +14.5 +4.4 +5.52.1 +14.5 **	290.5 246.2 246.2 Acoine) - - 137.5 - LCE (\$10 1320 1276 1371
Figure Total Min HE Sep Oct Min HE Sep Oct Min HE Sep Oct Min	17.48 17.32 ATING O Latent price 55.50 52.90 53.30 52.90 53.75 54.36 80 Oil Price 168.25 184.75 164.05 163.75 164.00 184.75 164.00 184.75 164.00 184.75 164.00 184.75 164.00 184.75 164.00 184.75	+0.06 +0.05   IL INYIGE   Change   -0.17 +0.17 +0.17 +0.02     Shorns   -2.50 +1.50   -1.125 +1.00     SAS NYI   -1.00	17.51 17.32 20 (42.00 42.00 54.25 53.85 53.85 53.30 54.75 41 170.50 165.50 166.75 164.00 163.25 164.75 164.00 163.25 164.75	17.41 17.27 100 US ga Low 54.95 54.95 53.17 54.25 168.00 168.00 168.25 163.25 163.25 164.27 163.25 164.27 163.25	718 2 25,150 fb.; c/1.6 Val 7,209 2 1,418 410 396 395 16,253 395 12,218 wu . \$\text{Val} \text{Yel} \text{Val}	4.759 192,483 192,483 192,853 192,119 161,177 13,905 8,458 4,841 15,950 1,999 1,227 1,999 1,227 1,999 1,227 1,999 1,277 1,999 1,277 1,999 1,277 1,999 1,277 1,999 1,277 1,999 1,277 1,999 1,277 1,999 1,277 1,999 1,277 1,999	Buct Doct Total  POT Jun Blor Total  FIRE Blay Jun Apr Total SP. FUTURE All futur SP.	248.6 245.3 245.3 7ATOES 225.0 10.0 1355 141.0 141.9 141.9 1324 1272 1390 1392 2008 1442	+1.2 +2.0 +1.9 +1.9 +6.5 - +6.5 - +6.5 - +7.2 +14.5 +4.4 +5.52.1 +14.5 **	290.5 246.2 246.2 Acoine) - - 137.5 - LCE (\$10 1320 1276 1371
Siever Toutian Amp Sopo Toutian Mis GLA Amp Sopo Got Glaver Toutian Mis GLA Amp Got Glaver Toutian Mis	17.48 17.32 ATING O Latent price 55.50 53.30 52.90 53.75 54.30 \$ OIL PF 168.25 164.00 184.25 164.00 184.25 164.00 184.25	+0.05 +0.05 Cary's change +0.05 +0.07 +0.0	17.51 17.32 51.42,00 142,00 153,00 153,00 153,00 153,00 153,00 153,00 153,00 153,00 153,00 153,00 153,00 153,00 153,00 153,00 153,00 154,00 15	17,41 17,27 10 US 92 Line 155,15 54,25 54,25 184,000 1	718 25,159 (ks.; c/155 ks.) (ks.; c/155 ks.) (ks.; c/155 ks.) (ks.; c/155 ks.) (ks.)	4.759 192,485   192,851   192,851   16,177 13,905 8,455 4,585 4,585 4,585 4,585 4,585 1,990 1,900 1,90	But Dot Total Dot Total POT Jun Blor Total Blor Total Blor Total Blor Total Sept Jun	248.6 245.3 245.3 245.3 225.0 182.5 110.0 135.5 141.0 1413 1324 1272 1390 1392 (Ause 1442	+12 +20 +1.9 +1.9 +6.5 - +6.5 +6.5 +1 +9 +4 +5 - -21 Prev 1445	290.5 246.5 246.5 246.5 137.5 137.5 1420 1370 1371 1371
Floor Total Min HE Sup Oct May	17,48 17,32 ATHNG C Latent price 55,30 52,30 53,75 54,30 53,75 54,30 51,75 54,30 51,75 54,30 51,75 54,30 51,75 54,30 51,75 54,30 51,75 54,30 51,75 54,30 51,75 51,84,75 163,75 163,75 164,70 163,75 164,70 164,75 16	+0.05 +0.05   IL IMME   Cury's change   +0.05 +0.07 +0	17.51 177.32 X (42.00 X (42.00	17,41 17,27 10 US ga 51,15 52,85 53,17 54,25 53,77 54,25 168,000 164,50 162,75 163,25 163,25 163,25 164,75	718-225,1590 25,1590 46,522 4,632 4,632 4,632 11,418 4399 395 16,355 402 11,718 501 17,718 11,717 11,717	47,59 192,487 192,487 192,851 10,905 16,175 13,905 8,455 4,565 4,565 4,565 4,565 4,565 1,590 7,510 5,782 7,510 1,590 1,227 1,227 1,227 1,227 16,963 16,963 16,963 16,963 16,963	But Dot Total B POT Lun Repr Total B FRE BRA Affacts BRA Then Total BRA	248.6 245.3 245.3 7ATOES 10.0 10.0 10.0 141.0 141.0 141.0 141.0 1324 1272 1355 1390 1392 Class 1442	+12 2 +20 +1.9 +1.9 +1.5 5 -1 +1.9 +4 4 5 +5 -7 1445	290.5 246.2 246.2 137.5 1420 1276 1371 -
Service of the servic	17,48 17,32 ATHNG C Latent price 55,80 53,30 52,90 53,30 53,30 53,75 54,36 8 OIL PF 861 168,25 164,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,0	+0.05 +0.05 Cary's change +0.05 +0.05 Change +0.05 Change +0.07 +0	17.51 17.32 X (42.00 H Sh	17.41 17.27 10 US ga Line 15 53.15 52.85 53.25 54.25 188.00 182.75 182.2	718 2 25,150 (b.; c/155 5150 15; c/1	4759 192,487 1928-1 1928-1 1928-1 161,177 13,905 8,458 4,841 98,172 0pen left 15,950 1,999 1,227 48,903 16,959 15,305 16,959 15,305 16,959 15,305	But Duct Total Duct Total POT Lung Age Total Lung Lung Age Total SE. FUTURE Ad futu Total Total SE.	248.6 245.3 245.3 245.3 245.3 17ATOES 225.0 182.5 110.0 135.5 141.0 1413 1324 1272 1356 1390 1392 Close 1442	+1.2	290.5 246.2 246.2 137.5 1.CE (\$10 1.320 1.276 1.371 1.276 1.371 1.276 1.371 1.276 1.371
Floor Total Min HE Sup Oct May	17,48 17,32 ATHNG C Latent price 55,80 53,30 52,90 53,30 53,30 53,75 54,36 168,75 164,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,25 184,00 184,	+0.05 +0.05 Cary's change +0.05 +0.05 Change +0.05 Change +0.07 +0	17.51 17.32 X (42.00 H Sh	17.41 17.27 10 US ga Line 15 53.15 52.85 53.25 54.25 188.00 182.75 182.2	7186 (25,130 a) 4,225,130 a) 4,632 a) 4,632 a) 1,418 a) 4,632 a) 1,418 a) 4,632 a) 1,418 a) 4,632 a) 1,532 a) 4,632 a) 1,733 a) 4,632 a) 1,733 a) 4,633 a) 1,733 a) 1	4.759 192,487 192,487 192,857 193,905 8.455 4.585 4.585 4.585 1.59	Buct Doct Total Doct Total B POT Just Age Total B POT Just Age Total B POT Tot	248.6 245.3 245.3 7ATOES 225.0 82.5 110.0 135.5 141.0 141.0 141.0 141.0 1324 1272 1362 1390 1382 Classe 1442	+1.2 +2.0 +1.9 +1.9 +1.5 -1.5 -1.1 +1.9 +4 +5 -1.2 +1.9 +4 +5 -1.2 +1.1 +1.9 +4 +5 +1.2 +1.2 +1.2 +1.2 +1.2 +1.2 +1.2 +1.2	290.5 246.2 246.2 137.5 137.5 1420 1276 1371 1376 1371 1376 1371 1376 1371
Juni Augusta A	385.5 +0.8 396.3 398.9 389.3 3622 256.90 400.9 +0.8 401.2 400.3 462 31.150 400.9 +0.8 401.2 400.3 462 31.150 400.0 +0.1 406.5 404.6 850 181.99 411.7 +0.1 46 976 400.0 +0.1 406.5 404.6 850 181.99 411.7 +0.1 46 976 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 9 977 411.7 +0.1 +0.1 +0.1 +0.1 +0.1 +0.1 +0.1 +0.1									
Juni Augusta A	17,48 17,32 ATHNG C Laborat 95,80 53,30 52,30 53,30 53,30 53,30 53,30 53,75 54,36 501L PF 96,25 164,75 164,	+0.05 +0.05    IL IMME  Cary's change +0.17 +0.07 +0.02    Change +0.17 +0.07 +0.02    Change +1.50 +1.25 +1	17.51 17.32 57.42 57.42 57.43	17.41 17.27 10 US ga 15.15 52.85 53.15 52.85 53.17 54.25 162.25 163.25 163.25 163.25 163.25 163.25 163.25 164.75	7186 (25,130 a) 4,225,130 a) 4,632 a) 4,632 a) 1,418 a) 4,632 a) 1,418 a) 4,632 a) 1,418 a) 4,632 a) 1,532 a) 4,632 a) 1,733 a) 4,632 a) 1,733 a) 4,633 a) 1,733 a) 1	4.759 192,487 192,487 192,857 193,905 8.455 4.585 4.585 4.585 1.59	But Dot Total B POT Lun Repr Total B FRE BRA Affect Co. Lun Total BRA FRE BRA Affect Co. Lun Total BRA FRE BRA Affect Co. Lun Total Co. Lun To	248.6 245.3 245.3 245.3 245.3 225.5 110.0 130.5 141.0 1413 1324 1272 1356 1390 1392 Close 1442  e was im week reged bright below	+12 2 12 12 12 12 12 12 12 12 12 12 12 12	290.5 246.2 246.2 137.5 137.5 1420 1370 1370 1370 1371 1371 1371 1371 137
Juni Augusta A	17.48 17.32 ATHNG C Latest, price 95.80 52.90 53.30 53.75 53.30 53.75 54.30 53.75 164.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25	+0.05 +0.05   The immediate of the control of the c	17.51 17.32 Of (42.00 High 155.30 54.00 54.75 170.50 165.50 164.00 163.25 164.01 164.01 165.01 164.01 165.0	17.41 17.27 10 US ga 54.95 53.15 54.25 53.20 53.20 54.25 163.25 1	7 18 2 5,159 (b. ; c/15 5,159 fb. ; c/15 7,209 fb. ; c/15 7,209 fb. ; c/15 7,209 fb. ; c/15 7,16 8,100 fb. ; c/15 7,100 fb. ; c/15 7	4.759 192,487 192,487 192,831 192,831 16,172 13,905 8,455 4,588 4,581 98,172 0pen 1,910 6,782 3,519 1,927 48,903 1,939 1,939 1,227 48,903 1,939	Det Det Det Tetal POT Jun Bler Apr Staty Tetal BRA FUTURE BRA Then Usin Usin Usin ER	248.6 245.3 245.3 245.3 245.3 25.0 82.5 110.0 130.5 141.9 1413 1324 1275 1390 1392 Clase 1442 ESS DAT resi dets week repled bright below strong as Burunciss or mediar, The fer	+12 2 +20 +1.9 +1.9 +1.5 +1.5 +1.5 +1.5 +1.5 +1.5 +1.5 +1.5	290.5 246.2 246.2 137.5 137.5 1420 1370 1370 1370 1371 1371 1371 1371 137
Juni Augusta A	### 411.7 + 0.1   40.5 408.0   64   3.872   41   58.00   4.00   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   4.10   58.00   58.00   4.10   58.00   58.00   4.10   58.00									
Juni Amil Supu NAMil S	Set   Day's   price change   Bigs   form   Vol   int									
Figure Total Ang Sup Oct NAM Light N	17.48 17.32 ATHNG C Latest, price 95.80 52.90 53.30 53.75 53.30 53.75 54.30 53.75 164.00 184.25 164.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25 144.00 184.25	+0.05 +0.05   The immediate of the control of the c	17.51 177.32 Of (42.00) High 45 53.85 53.05 54.00 54.75 High 45 170.50 163.25 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 165.50 164.71 165.50 164.71 165.50 164.71 165.50 164.71 165.50 165.50 164.71 165.50 1	17,41 17,27 10 US ga 154,95 53,15 54,95 53,25 53,25 53,25 53,25 54,25 54,25 54,25 54,25 163,2	718 2 25,159 (b.; c/155 159 16.; c/155 159 16.; c/155 16.355 16.355 16.355 16.355 16.355 16.355 16.355 17.773 1.405 17.773 17.773 17.773 17.773 17.773 17.773 17.773 17.773 17.773 17.773 17.773 17.773	4.759 192,485   192,485   10,000   16,177 13,905 8.455 4.585 4.585 4.585 4.585 1,905 1,900   15,960 1,900   1,900   1,	But Dec Total Dec Total POT Just Agr Total St. Agr Total St. Total	248,6 245,3	+1.2 (+1.9 +1.9 +1.9 +1.9 +1.9 +1.9 +1.9 +1.9	290.5 246.2 246.2 246.2 137.5 1420 1376 1371
Juni Amil Supu NAMil S	17.48 17.22 ATIMG C Laborat price 55.00 52.30 53.75 54.30 53.75 54.30 53.75 164.00 184.25 184.25 184	+0.05 +0.05	17.51 177.32 文 (42.0)	17.41 17.27 10 US gas 54.95 54.95 54.25 54.25 54.25 168.00 184.50 162.75 163.25 163.25 163.25 164.75 163.25 2.290 2.200 2.200 2.200 2.200 2.200 2.200 2.200 2.200 2.200 2.200 2.200 2.200 2.200 2.200 2.200	7186 25,150 Wol 25,150 Wol 14,672 315 84,100 25,542 315 840 12,748 850 12,748 850 12,748 850 15,748	4.759 192,487 192,487 192,837 192,837 10,900 161,13905 8.4558 4.584 4.584 4.586 15,960 7,910 0pen 181 15,960 1,927 1,927 48,903 18884 10,903 11,927 11,927 11,927 11,927 11,927 11,928 11,928	But Dot Total Dot Total POT Dot Total Bar Apr Total SP.  Tea Then this to Land while Man described with the Construction of th	245.5 245.3 245.3 245.3 245.3 225.0 82.5 110.0 130.2 141.9 1413 1324 1275 1390 1392 Close 1442 225.0 246.6 246.6 25.0 25.0 25.0 25.0 25.0 25.0 25.0 25.0	+12 2 +20 1 +19 1 +19 +45 +5 -7 1 +45 +5 +5 +5 +7 1 +45 +5 +5 +5 +7 1 +45 +5 +5 +5 +5 +5 +5 +5 +5 +5 +5 +5 +5 +5	290.5 246.2 246.2 Atomne)  137.5  1420 1370 1370 1370 1371 - 1420 1371 - 1420 1371 - 1420 1371 - 1420 1370 1371 - 1420 1370 1370 1371 - 1420 1370 1370 1370 1370 1370 1370 1370 137

Day's										_	_
	III-L			Open		Sett	Day's				Ope
:केस्कुट +0.7	nage -	(CW	Vol	iot _	May	137.30		10gh 127.50		<b>Vol</b> 58	1
+0.7	393.1	392.0	39.185	B7,799	Jul	129.85		130.25		145	1,7
+0.8				30	Sep	116.80			-		. 2
40.B 40.B	395.8 398.3	394.9 398.3		25,640 5,641	Jan Yov	118.25 120.20		118.25		98 7	2,5
+0.8	401.2	400.3	462	31,150	Mar	122.25				5	1
	<b>_</b>			204,168	Total		=			318	6,4
_	(50 Tre					AT CB1	_	_			_
+0.1 +0.1	406.5 400.5	404.B		19,149	الأون بادا	654.00 586.00				14 022	- 2
+0.1	400-3	408.0	64 46	3,672 976	Sep	583.00		587.00		2,439	
+0.1	-	-	111	1,407	Dec	590.50	+9.50	592.50	582.50	3,039	17,1
				25,203	lilar May	581.00 519.00		585.00 580 no		352 17	1,5
	X (100	_	_		Total	J., J.			- Carper	- 12	
	134.50 135.40		369 681	4,477 3,572	E MAL	ZE CBT	(5,000	bu min	cents/	561b bu	she
+0.20	_		58	213	May	515.00					
			1,027	6,626	Jai Sep	492-25 413-50	+10.00	494,00 413 50	482.50 #13.00	37,439	162,0 64 9
	000 Tro				Dec	353.00					
+20 +20	535.5	533.5	17	211 3	Mar			359.50			
+20	541.5	537.0	17.577		May Total	360.75	+8.75	362.00	355.00	301 198	2,1
+20	546.D	543.0	1,094	14,239		LEY LC	E & pe	r tonne	)	_	
+2.0	554.0 -	550.0	215	9,778 3,559	May			115.00		1	
				98,422	Sep	109.90	+0.30	109.50		20	
					How James	111.25		113.75	112.75	10	1
					, 1607 1607	113.75 115,50		-	113,13	-	
					Total					31	1,0
					E SOY	ABEAN	S (28) (	5,000bu	mit; (22)	cs/20/p p	
					May			B14.00		1,584	2,1
NYME	X (42,0	00 US (	palis. \$/	berrei)	اط. وسم	813.00 813.00		622.50 621.08		1,459	
Day's				Орея	Sep	793.00	+300	<b>600</b> 90	792.00	525	6,3
-	High	Lew co.er	Vol nam	int 20 ces	Hor Jan	782.50 789.50		789.00 793.00			6,7
+0.15 +0.07			37,878 17,937		Total		TEIU	,		-	-,-
+0.03	19.62	19.47	7.498	59,627	SOY	ABEAN	OIL C	BT (60,6	000bs.	certis/i	b)
_	19 18 18.98	19,00	2,637 1,265	38,633 24 121	بحق	27 03	-0.17		35.98		
-0.04	18.80		1.044	16,677	اسل Aug	27 \$4 27.52	-0.17 -0.16	27.75 27.85	27.31 27.50	11,597 973	
			73,905	456,437	Sap	27.70				416	
IPE IS	(berrel)				Oct.	27.68	<b>-0</b> 10	28.12	27 82	270	4,1
Day's			16-4	Open	Bec Tøtal	28.18	-0.02	28.40	28 ()?	1,763	19,
+0.25	High	10.20	¥ei 17,104	144 20 207		ABEAN	MEAL.	CBT (1	00 tons		}
+0.14		18.45	10,268	77,350	May	248.7	+1.1	250.2	247.4	1,521	1,7
-001	18.04			22,711	Je	252.2	+0.8		251.2	9,785	
-0.03 +0.06	17.72 17.51	17.58 17.41	718	12,028 7,936	Asig Sap	252.0 248,6	+1.0		251.5 248.3	1,744 579	112 75
+0.05	17.32		342	4.758	Det	245,5	+20	248.5	244.5	. 147	3,4
				192,487	Dec Total	245,3	+1.9	246.2	244.1	2,268 88	17,4
_	X (42,00	U US ÇE	B.; #US			ATOES	LCE &	/tonnel		_	
CEA.S				Open int		_					_
	Ulah		Uni							_	
	High 58.45	Law 54.95	Voi 7.209	22,119	Nov	225.0 82.5	=	_	_	-	
+0.85 +0.22	58.45 53.85	54,95 53,15	7,209 4,632	22,119 16,177	Mgr	82.5 110.0	-	1975	- - 137.0	-	14
+0.85 +0.22 +0.17	58 45 53.85 53.30	54,95 53,15 52,85	7,209 4,632 1,418	22,119 16,177 13,905		82.5	+6.5	137.5	132.0	190	1,0
+0.85 +0.22 +0.17 +0.17 +0.07	56.45 53.85 53.30 53.65 54.00	54,95 53,15 52,85 53,20 53,70	7,209 4,632 1,418 410 398	22,119 16,177 13,905 8,455 4,588	Mor Apr Mary Total	82.5 110.0 135.5 141.0	+6.5	-	-	190	1,0
+0.85 +0.22 +0.17 +0.17 +0.07	56.45 53.85 53.30 53.65	54,95 53,15 52,85 53,20 53,70	7,209 4,632 1,418 410 398 395	22,119 16,177 13,905 8,465 4,588 4,841	Mor Apr Mary Total M. FRE	82.5 110.0 135.5 141.0	+6.5 LPTEX	LCE (S	O/Inde	190 190 (point)	1,0
+0.85 +0.22 +0.17 +0.17 +0.07 +0.02	56.45 53.85 53.30 53.65 54.00 54.75	54,95 53,15 52,85 53,20 53,70	7,209 4,632 1,418 410 398 395	22,119 16,177 13,905 8,455 4,588	Mor Apr May Total M. FRE May	82.5 110.0 135.5 141.0 163417 [2	+6.5 IPFEX)	LCE (S	10/Ande	190 190 ( point) 49	1,0
+0.85 +0.22 +0.17 +0.17 +0.07 +0.02	56.45 53.85 53.30 53.65 54.00 54.75	54,95 53,15 52,85 53,20 53,70	7,209 4,632 1,418 410 398 395	22,119 16,177 13,905 8,465 4,588 4,841 98,112	May Total May Jao Jai Jai	82.5 110.0 135.5 141.0	+6.5 LPTEX	LCE (S	10/Index 1413 1318 1275	190 190 (point)	1,0
+0.85 +0.22 +0.17 +0.17 +0.07 +0.02 (\$2/0x10	56.45 53.85 53.30 53.65 54.00 54.75	54,95 53,15 52,85 53,20 53,70	7,209 4,632 1,418 410 398 395	22,119 16,177 13,905 8,465 4,588 4,841	Apr Apr Yeary Total M. FRE May Juni Juni Col	82.5 110.0 135.5 141.0 163417 [B 1413 1324 1272 1365	+6.5 - UFFEX) +1 +9	LCE (5° 1420 1320	10/findes 1413 1318	190 190 ( point) 49 46 20 22	1,0 7 5
+0.85 +0.22 +0.17 +0.17 +0.07 +0.02 (\$Anormal Change +2.50	56.45 53.85 53.90 53.65 54.00 54.75	54.95 53.15 52.85 53.20 53.70 54.25	7,209 4,632 1,418 410 398 395 16,355 Yel 8,110	22,119 16,177 13,905 8,465 4,588 4,841 98,112 Open ipt	Apr Apr Yeary Total May Jan Jan Col Jan	82.5 110.0 135.5 141.0 1617 [B 1413 1324 1272	+6.5  IFFEX) +1 +9 +4 +5	1420 1320 1276	10/Index 1413 1318 1275	190 190 4 point) 49 46 20	1,0 7 5
+0.85 +0.22 +0.17 +0.17 +0.07 +0.02 Educate change +2.50 +1.50	55.45 53.85 53.90 53.65 54.00 54.75 170.50 165.50	54.95 53.15 52.85 53.20 53.70 54.25	7,209 4,632 1,418 410 398 395 16,355 16,355 Yel 8,110 2,542	22,119 16,177 13,905 8,465 4,588 4,841 98,112 Open int 15,960 7,910	Apr Apr Yeary Total M. FRE May Juni Juni Col	82.5 110.0 135.5 141.0 16957 [B 1413 1324 1272 1365 1390 1392	+6.5 	1420 1320 1276	10/Index 1413 1318 1275	190 190 ( point) 49 46 20 22	1,0 7 3
+0.85 +0.22 +0.17 +0.17 +0.02 +0.02 (SADETH) Bay's change +2.50 +1.50 +1.25	56.45 53.85 53.90 53.65 54.00 54.75	54,95 52,15 52,85 53,29 53,70 54,25 188,00 184,50 162,75	7,209 4,632 1,418 410 398 395 16,355 16,355 Yel 8,110 2,542	22,119 16,177 13,905 8,455 4,584 4,841 98,112 Open let 15,960 7,910 6,782 3,519	Mor Apr Yearly Total M. FRE May Just Oct Just Apr Total	82.5 110.0 135.5 141.0 1644T [B 1413 1324 1272 1365 1390 1392 Close	+6.5 	1420 1320 1276	10/Index 1413 1318 1275	190 190 ( point) 49 46 20 22	1,0 7 5 2,0 1,0
+0.85 +0.22* +0.17 +0.17 +0.07 +0.02 (\$Anomale +2.50 +1.25 +1.25 +1.26 +1.26	56.45 53.85 53.90 53.65 54.00 54.75 170.50 185.50 186.00 184.00 183.25	54.95 53.15 52.85 53.20 53.70 54.25 188.00 184.50 182.75 183.25	7,209 4,632 1,418 410 398 395 16,353 16,353 8,110 2,542 315 489 50	22,119 16,177 13,905 8,455 4,588 4,841 98,112 Open let 15,950 7,910 6,782 3,519 1,999	Mor Apr Yeary Total III FREE Mary Josi Col. Jaco Apr	82.5 110.0 135.5 141.0 16957 [B 1413 1324 1272 1365 1390 1392	+6.5 	1420 1320 1276	10/Index 1413 1318 1275	190 190 ( point) 49 46 20 22	1,0 7 5 2,0 1,0
+0.85 +0.22* +0.17 +0.17 +0.07 +0.02 (\$Anomale +2.50 +1.25 +1.25 +1.26 +1.26	56.45 53.85 53.80 53.65 54.00 54.75 4 170.50 185.50 1864.00 764.00	54.95 53.15 52.85 53.20 53.70 54.25 188.00 184.50 182.75 183.25	7,209 4,632 1,418 410 398 395 16,355 16,355 16,355 16,355 489 90 159	22,119 16,177 13,905 8,455 4,588 4,841 98,112 Open Int 15,950 7,910 6,782 3,519 1,999	Mor Apr Yearly Total M. FRE May Just Oct Just Apr Total	82.5 110.0 135.5 141.0 1644T [B 1413 1324 1272 1365 1390 1392 Close	+6.5 	1420 1320 1276	10/Index 1413 1318 1275	190 190 ( point) 49 46 20 22	1,0 7 5 2,0 1,0
+0.85 +0.22 +0.17 +0.17 +0.07 +0.02 (\$Aurnot +2.50 +1.50 +1.25 +1.25 +1.00 +1.00	56.45 53.85 53.30 54.55 54.05 54.75 170.50 185.50 185.50 184.00 184.00 184.25 184.75	\$4,95 \$2,85 \$3,29 \$3,70 \$4,25 \$4,25 \$68,00 \$68,00 \$68,25 \$163,25 \$163,25 \$164,75	7,209 4,632 1,418 410 398 395 18,353 18,353 8,110 2,542 315 489 90 159 12,318	22,119 16,177 13,905 8,455 4,588 4,841 98,112 Open Int 15,950 7,910 6,782 3,519 1,899 1,227 48,903	Mor Apr Total E FRE May Jaco Jaco Jaco Apr Total BP	82.5 110.0 135.5 141.0 1694T (B 1413 1324 1272 1355 1390 1392 Close 1442	+6.5 	1420 1320 1276	10/Index 1413 1318 1275	190 190 ( point) 49 46 20 22	1,0 7 5 2,0 1,0
+0.85 +0.22 +0.17 +0.17 +0.07 +0.02 Bay's charge +2.50 +1.25 +1.25 +1.25 +1.00 +1.00	56.45 53.85 53.90 53.65 54.00 54.75 170.50 185.50 186.00 184.00 183.25	\$4,95 \$2,85 \$3,29 \$3,70 \$4,25 \$4,25 \$68,00 \$68,00 \$68,25 \$163,25 \$163,25 \$164,75	7,209 4,632 1,418 410 398 395 18,353 18,353 8,110 2,542 315 489 90 159 12,318	22,119 16,177 13,905 8,455 4,588 4,841 98,112 Open Int 15,950 7,910 6,782 3,519 1,899 1,227 48,903	Mor Apr Total E FRE May June Oct Jac Ser Total ER.	82.5 110.0 135.5 141.0 1644T [B 1413 1324 1272 1365 1390 1392 Close	+6.5 - IPFEX) +1 +9 +4 +5 -21 Press 1445	1420 1420 1226 1276 1371	1413 1318 1275 1365	190 190 ( point) 49 46 20 22	1,0 7 5 2,0 1,0
+0.85 +0.22 +0.17 +0.17 +0.02 Shorm -2.50 +1.25 +1.26 +1.26 +1.26 +1.26 -1.2	56: 45 53:85 53:85 53:85 54:00 54:75 64:75 64:00 165:50 164:75 164:75 464:75	\$4.95 \$3.15 \$3.26 \$3.26 \$3.70 \$4.25 \$4.25 \$4.25 \$163.25 \$163.25 \$164.75	7,209 4,632 1,418 410 398 395 16,355 16,355 16,355 11,542 315 489 50 12,318 8u.: \$/m	22,119 16,173 18,455 8,455 4,586 4,581 4,841 98,112 Open Int 15,950 7,910 6,782 1,999 1,327 48,963 4	Mor Apr Total E FRE May June Oct Jac Ser Total ER.	82.5 110.0 135.5 141.0 3GHT [8 1413 1324 1272 1365 1390 1392 Close 1442	+6.5 - IPFEX) +1 +9 +4 +5 -21 Press 1445	1420 1420 1226 1276 1371	1413 1318 1275 1365	190 190 ( point) 49 46 20 22	1,0 7 5 2,0 1,0
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**ACROSS** Office furniture (6) 4 One is a high church official 9 Draw water after all (6) 10 Reveals the underworld boss quietly takes a gamble (8)
12 No work, no tax to pay! (4-4)

15 The place having the best turnover (4)
16 Makes a secret arrangement 20 Opposed to the computer (7)

21 The woman in over-all control 25 Averts disaster – fast! (6) 26 Impressive industrial action

desired expansion (8)

29 Slow, not heartless, though

19 — holding both his sides

with a certain hesitation (6)

2 Account for oriental's agitation (8) 3 Having written a note, break loose (6) 5 Few in support appear enthu-6 Left some absorbed in a legal document (8) 7 "Get all straight?" a quarter

1 Flourish as a result of high-fi-bre food (8)

scoffed (6) 8 The French interview a tenant (6)
11 Splitting granite for use (7)
14 Gifts of money no longer made (7)
17 Gather cheat is on edge (8) 28 A means of ensuring the 18 Grounds for adjusting men's

(Milton) (8) 30 Offered properly constituted 22 Face a group without parking rent-deed (8) (6) rent-deed (8) (6)
31 Canopy check carried out 23 For tree-raising, pound in some clay (6)

24 Abuse one gets engaged in dealing (6) 27 Hand over the church keys (4)

Solution to Saturday's prize puzzle on Saturday May 25. solution to yesterday's prize puzzle on Monday May 27.

# Weak D-Mark lifts high-yielding sector

and Lisa Bransten in New York

Peripheral European markets made a positive start to the week. Spanish and Italian bonds benefited from the weakness of the D-Mark and are expected to continue outperforming. This week could be driven by speculation on countries' chances of meeting European monetary union criteria and participants will be awaiting economic forecasts from the European Commission.

■ German bunds closed lower on profit-taking after last Friday's rally. Liffe's June bund future settled at 96.30, down 0.24. In the cash market, the 10-year benchmark bund lost 0.25 to close at 98.30.

underperformed 10-year US Treasuries, whose yield premium shrunk by 2

in London, said recent comments by members of the Bundesbank's council have led her to expect a small cut in the repo rate later this week.

Most economists expect such a move to take place later, probably in June. An early cut would boost bunds and lead them to resume their outperformance of US Treasuries. One economist said the yield

premium of Treasuries could reach a full percentage point within a year. Ms Persaud expects bunds to resume their rally soon and reach the 97.0 to 97.5 range on the bund future in the next two months.

■ French OATs also closed lower. Matif's June notional contract settled at 123.0, down 0.08, but continued falling in after-hours trading on Globex to a low of 122.88. In the cash

Sharda Persaud, European market, the 10-year yield would tighten to around 300 economist at San Paolo Bank spread over bunds was stable basis points in coming months at 1 basis point.

> ■ Most high yielding markets ■ Spanish bonds also had a were boosted by the weakness of the D-mark against their currencies. Italian bonds, in two consecutive bullish sessions, have recouped their

### GOVERNMENT BONDS

heavy losses of last Thursday. Liffe's June BTP future closed at 114.42, up 0.42, after a 0.59

rise on Friday. Ms Persaud remains bullish on BTPs in the longer term. She expects "a positive minibudget" and predicts that the central bank will ease official interest rates by around 1.5 percentage point before the year-end. She forecast that the 10-year yield spread over bunds from 329 points vesterday.

positive day. The 10-year bono future closed at 98.44, up 0.32. One economist said bonos could soon start underperforming as investors overweight in Spanish bonds decided to take

■ UK gilts ended a quiet session slightly lower. Liffe's June long gilt future settled at 1061, down & and the 7½ per cent gilt due 2006 at 96%, down &. However, economists point to gilts' recent underperformance and some believe the market has some catching up to do. One continental European bank forecast a rise in the pound to DM2.38, which would boost the gilt market. The cur-

rency was trading around the

NEW INTERNATIONAL BOND ISSUES

DM2.32 level late yesterday.

■ US Treasuries were flat in quiet early trading as traders awaited data on inflation, retail sales and manufacturing due later in the week.

The yield on the benchmark 30-year Treasury bond held below 7 per cent as it strengthened modestly on the heels of the gains made on Friday.

Near midday, the long bond was 🕯 stronger at 88½ to yield 6.918 per cent. The two-year note was unchanged at 99%, yielding 6.045 per cent. The June 30-year bond future was ⅓ lower at 108%. There was no important eco-

nomic news yesterday, but today figures on retail sales and the consumer price index for April are due. Tomorrow, figures are due

on industrial production and capacity utilisation, which could indicate whether inflationary pressures will emerge later this year.

# French social security debt refinancing under way

By Samer Iskandar and Antonia Sharpa

The refinancing of the French social security system's accumulated deficits of FFr140bn is under way. The funds will be raised by the Caisse d'Amortissement de la Dette Sociale (Cades), an entity created earlier this year for the sole purpose of managing these debts.

Mr Benoit Jolivet, chairman of Cades, announced late last week that six banks had been chosen to arrange a syndicated loan totalling FFr60bn. The banks are Banque Nationale de Paris. Caisse Nationale de Crédit Agricole, Dresdner Bank, J.P. Morgan, NatWest Markets and UBS.

syndicate are expected to take on FFr20bn, leaving FFr40bn to be raised by syndication.

None of the banks involved would comment on the details of the transaction, but the final terms, which should be announced before the end of this week, are expected to rival - or beat - Spain's recordsetting transaction arranged

by NatWest last year. The fully-drawn cost on Spain's Ecu deal is 8 basis points over London interbank offered rate (Libor) - 4 basis points as an interest margin and 4 basis points as a facility

Cades has been pressing for even tighter terms than on

The two French banks in the Spain's loan - in the region of a minimal or no margin over the Paris interbank offered

rate (Pibor). Such a fine margin can certainly be achieved, given that the cost of funds for the French banks is some 12.5

basis points below Pibor. A short maturity - three years, for example - could also allow Cades to get finer terms than those on Spain's five-year

The syndicated loan is only the first tranche of the refinancing. An additional FFr80bn still has to be raised before a June 28 deadline, through sues of bonds and commercial paper in French francs and foreign currencies.

### **KDB** global offering set to be highlight of week

A \$750m global bond offering from Korea Development Bank is set to be the highlight of a quiet week in the eurobond market, due to Thursday's Ascension Day holiday in most parts of continental Europe.

### INTERNATIONAL BONDS

CS First Boston and Lehman Brothers are believed to be arranging the offering, which could have a maturity of seven

Asian and US investors have shown a greater preference for the latter. If KDB does go for a 10-year maturity, the bonds are likely to be priced to yield about 75 basis points over underlying US Treasuries.

Apart from KDB's deal. which was extensively premarketed in Europe and the

WORLD BOND PRICES

is also expecting to see an offering from TMCC in the

Syndicate managers said yes-

Mae's \$1bn five-year global bond had narrowed to 14 basis points over Treasuries from 16 popular \$250m five-year offering had gone from 8 basis points over Treasuries to 3

prised that NTT chose to do a Swiss franc offering yesterday rather than a widely-rumoured dollar offering.

near future.

terday that although a considerable amount of dollar paper had been issued in recent weeks, investor demand for dollar-denominated paper continued to be buoyant causing They noted, for example, that the spread on Fannie

basis points at the launch while the spread on Unilever's basis points below. They were therefore sur-

Among other issues yester-

Borrower US DOLLARS First USA, 96-2, Cis A(st): Rebobenk Nederland(b) 150 150 5.25 11.00 re ≏ublic of Turkey≭ 6.00 STERLING +10(8%-00) ABN Amro/BZVA AUSTRALIAN DOLLARS Commonwealth Bix of Australia NatiWest Markets Australia Final terms, non-callable unless stated. Yield apread (over relevant government bond) at leunch supplied by lead manager. \*Unlisted. Rt fixed re-offer price; fees shown at re-offer level, a) First USA Credit Card Master Trust. Legal maturity: 10/7/05. Plus accrued. a1) 1-mth Libor +18bp. b) Callable on 12/8/98 at per. b1) 696% to 12/8/98 and 8% thereafter. c) Cefferdiche Pfandbrief, d) DM100m

day, Germany's DSL Bank tapped the eurosterling sector. raising £150m through a four-

Underlying: Brazil El FRNs due 14/4/06. sj Short 1st coupon.

Lead manager BZW said the recent rise in sterling made the bonds attractive to European retail investors, offering them a pick-up of some 200 basis points over German government bonds of the same matu-

 About 120 US and European institutional investors who manage more than \$3,000bn of fixed-income assets will eather in London today to attend J.P. Morgan's annual conference on the yankee bond market, the US domestic bond market for foreign issuers.

Among the speakers will be the eurobond market veteran Mr Hansgeorg Hofmann, now a

Germany's Dresdner Bank, which last year raised \$1bn of subordinated debt in the Yan-

kee bond market. Two senior Italian Treasury officials are also due to speak. While Italy is unlikely to issue yankee bond, investors in sector are also likely to be holders of the country's outstanding global bonds.

1 Up to 5 years (23) 2 5-15 years (18) 3 Over 15 years (9)

Up to 5 years (1)

FT-ACTUARIES FIXED INTEREST INDICES

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# Turkey to raise \$5bn abroad to help cover budget deficit

By John Barham in Istanbul

Turkey's new central bank governor says the country nlans to raise funds on the international market to help cover this year's forecast budget deficit of \$11.64bn.

In an interview, Mr Gazi Erçel said, "We have to raise some funds for the public sector deficit externally." He said Turkey needed to borrow about \$5bn abroad in 1996.

Yesterday, the Treasury raised Y30bn with a six-year Eurobond issue yielding 6 per cent a year and plans to issue a \$300m, three-year Eurobond by June, lifting first-half funding on the international markets to about \$1.7bn, mainly to refinance maturing loans.

Mr Erçel, who was appointed last month, said the Treasury needed to borrow more overseas to reduce its reliance on the small domestic capital market, where interest rates are very high. Real interest on the

3.78 5 yrs 3.58 15 yrs 3.48 20 yrs 1.47 kmd.†

Treasury's domestic debt. equivalent to \$18bn, averaged nearly 50 per cent last year.

The government was shut out of the international markets in early 1994, following a severe balance of payments crisis. It only resumed foreign borrowing in April 1995, paying 3.5 per cent over Libor for a two-year \$500m loan.

Mr Ercel said that, ideally, part of the funds raised this year would be used to rebuild Turkey's collapsing infrastructure, but indicated that the government's current spending will also have to be partly financed overseas.

However, an Istanbul banker criticised the decision to seek outside financing to cover current, rather than capital spending. "It is the worst policy a government could follow. I hope they do not use the facility for the deficit," he said. Last year, the government planned to reduce its foreign

debt, a strategy that has now

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been reversed in the face of mounting budget deficits.

Turkey, which is rated B+ by Standard & Poor's, had external debts of \$73.28bn at the end of 1995. The Treasury is forecast to pay \$7.79bn in principal and \$3.29bn in interest this

Turkish bankers expect the Treasury to have little trouble raising \$2.5bn to \$3bn in the second half.

However, a senior Turkish banker said: "Markets are ready for Turkish risk, but it all depends on political stability. International markets will get nervous if the struggle between [the coalition govern-

ment] partners continues." Bitter rivalry between the two parties in Prime Minister Mesut Yilmaz's two-month-old conservative coalition threatens the government's stability. Political analysts and business executives doubt the government can survive until Decem-

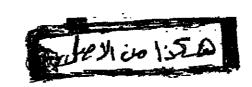
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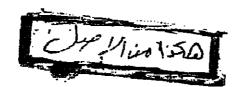
### **BENCHMARK GOVERNMENT BONDS** # BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% 02/06 107.7460 +0.990 02/08 97.8300 +0.110 05/06 102.0800 -0.190 12/05 106.0500 -0.390 03/06 103.7200 +0.040 03/01 100.6250 -0.250 04/06 98.9060 -0.250 04/06 98.9060 -0.250 8.97 8.54 6.78 7.91 7.46 5.61 6.50 7.81 9.63 2.52 3.42 6.48 ■ NOTIONAL ITALIAN GOVT, BOND (BTP) FUTURES (LIFFE)\* Lira 200m 100ms of 100% 08/06 98.3080 08/06 102.1500 02/06 99.4500 06/01 118.8722 09/05 97.3031 01/06 97.3200 Onen Sett price Change Est, vol. Open Int. +0.42 114.52 +0.43 113.80 113.50 113.79 116.5500 II ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFTE) Line200m 100ths of 100% 9.20 8.47 7.42 8.06 8.16 6.71 6.92 6.94 02/05 12/00 12/06 10/08 02/06 02/26 04/05 97.3400 85.1420 102-06 98-02 108-15 92-11 88-13 103.6200 +0.240 +0.220 -1/32 -5/32 -8/32 -3/32 -2/32 -0.150 8.26 8.59 7.57 8.24 8.34 6.86 7.09 6.96 8.48 7.44 8.11 8.21 6.33 6.68 6.98 Sett price Change 98.44 +0.28 97.90 +0.08 Low 98.05 97.70 62,964 34 57,880 Sep UK Tressury Bills and Bond Yields 4.95 Two year 5.09 Three year 5.13 Five year 5.20 10-year 5.80 30-year 647 6.26 6.47 6.75 6.93 Jun 108-04 108-02 -0-05 108-14 108-01 Sep 105-04 105-01 -0-05 105-10 105-04 III LONG GILT FUTURES OPTIONS (LFFE) 250,000 64ths of 100% CALLS ~ Aug 1-00 0-42 0-27 **BOND FUTURES AND OPTIONS** M ECU SOND PUTURES (MATTIF) ECU100,000 LOW Est voi. Open int. 80,0-80,0-80,0-123.16 121.68 120.40 60,361 2,771 198 Sett price Change High IS LONG TERM FRENCH BOND OPTIONS (MATIF) III US TREASURY BOND FUTURES (CBT) \$100,000 32rds of 100% High Low M NOTIONAL LONG TERM JAPANESE COVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% High 118.38 117.18 Satt price Change Hiigh Low Est. vol. Open int. 118.27 UK GILTS PRICES 8.02 1012 8.05 963 8.08 993 7.85 1183 8.13 1028 8.51 131½ 8.15 1063 8.19 983 8.25 832 Tress 8 lape 2005; 100.3 Tress 7 lape 2006; 210 Tress 7 lape 2006; 1063; Tress 9 lape 2007.6; 1063; Tress 9 lape 2007.6; 1064; Tress 11 lape 2007.7 989; Tress 80 2007.8; 1116; Tress 9 lape 2009.9 904; Tress 80 2009.9 904; Tress 80 2009.9 904; Tress 80 2009.9 904; Tress 80 2009.9 1074; Cone Filmen Years 1074; Tress 9 lape 2012.1; 1074; Tress 9 lape 2012.1; 1184; Tress 9 lape 2013.1; 1064; Tress 9 lape 2013.1; 1065; Tress 9 lape 2013.1; 1065; Tress 9 lape 2013.1; 1066; Tress 9 lape 2013.1; 1066; Tress 9 lape 2013.1; 1067; Tress 9 lape 2015.1; 1068; Tress 9 lape 2017.2; 1078; Tress 9 lape 20 8.24 7.80 7.94 8.03 9.84 8.28 . 10.27 8.45 8.13 7.51 5.89 216.2 5.97 104.6 6.00 103.1 6.27 100.2 6.32 102.2 6.32 102.3 6.34 111.3 6.58 104.5 6.68 100.3 6.85 113.3 6.85 113.3 6.85 113.3 6.85 113.3 7.10 113.4 7.11 108.4 at 7.25 108.3 7.43 118.5 6.743 118.5 6.743 118.5 6.744 102.3 7.744 102.3 7.744 102.3 7.744 102.3 7.744 102.3 7.744 102.3 Ower Fitthers Years Cover Spc La 2011 11 Trees Spc 201211 Trees Spc 2012-1211 Trees Tage 2010-1211 Trees Tage 2012-1511 Trees Tage 2017-1511 Trees Tage 2017-171 Trees Tage 2017-171 Trees Tage 2017-171 Trees Tage 2017-171 8.25 108% 8.27 196% 8.04 77% 8.30 95% 8.30 95% 8.33 104% 8.33 132% 8.27 97% 8.46 8.48 7.11 8.23 8.16 8.23 8.40 8.03 8.24 Other Fixed Interest 120 11121 123 11942 106 10242 1044 10243 1117 1104 1525 1425 1302 123 41 33 52 274 1342 117 76 70 1434 1304 1409 1304 1304 1104 9.08 9.47 8.66 11.72 10.36 10.36 9.23 9.70 4.00 1014 -5 1145 -5 1053 -1 1175 +1 1195 +1 125 -6 1145 -6 1145 -6 1314 7.80 7.76 7.81 7.96 7.58 6.73 7.98 7.98 8.03 934 974 1084 1134 705 1054 1054 1054 1224 - 471<sub>2</sub> - 42 - 55克 - 25円 - 267<sub>1</sub> 8.42 8.33 5.85 6.50 8.35 8.37

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### **CURRENCIES AND MONEY**

### MARKETS REPORT

# Political optimism pushes lira to 18 month high

By Philip Gawith

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Optimism about the formation of a new government yesterday helped the Italian lira reach its strongest level against the D-Mark since October 1994 The lira closed at L1,014 against the D-Mark in London, up from L1,023 on Friday. These gains were made against a general backdrop of D-Mark

weakness, although the lira

was the currency which made the most significant gains.
The dollar consolidated the gains made on Friday against the D-Mark, finishing at DM1.5336, from DM1.5249. Against the yen, it finished lower at Y104.97, from Y105.35. The yen was also stronger against the D-Mark, finishing

at Y68.43, from Y69.08. Sterling lost ground against the dollar, closing at \$1.5141 from \$1.5226, but was little changed against the D-Mark, at DM2.322, from DM2.3217. The trade weighted index finished at 84.4 from 84.4.

Despite its fairly tepid per-formance yesterday, the big theme in the markets at present is whether the period of D-Mark weakness is over. bringing an end to any hopes of an enduring dollar rally. Clearly nerves are beginning to get a bit frayed. Such is the

deduction which must be made from the stern note sent to clients yesterday by Mr Brian Marber, a London based technical analyst. "Some clients were in a fair state of panic on Wednesday afternoon. I don't know why. The dollar closed at DM1.5163, fully 0.0008 clear of the clear of the necessary stop. If you want to anticipate a stop, that's your business. It isn't mine, and it isn't what technical analysis is about. What is technical analy-sis about? Discipline first And

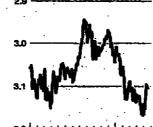
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second. And third."
Having rounded on the faint-hearted, Mr Marber proceeded to affirm his own faith in a dollar rally. Last week's events have not altered his timetable of the dollar reaching DM1.5906 in two weeks time. But even if he is wrong, "that would not in any way alter my belief in the dollar's ability to reach DM1.70

or higher later on this year."
Whatever the charts say,
analysts are more sceptical. Economists at SBC Warburg claim in their latest publica-tion that "it is typical when fundamentals begin to show signs of turning, technicals still allow for a final sentiment-driven move."

One of the main reasons for expecting a D-Mark rally was comments last week from senior Bundesbank officials suggesting the D-Mark's downward correction had come to an end. But Mr Hans Tietmeyer, Bundesbank president, cast some doubt on this reasoning yesterday when he said

Against the D-Mark (FM per DM)



that normalisation of exchange rates was continuing.
Analysis at Deutsche Morgan Grenfell in London esti-mate that the D-Mark is now only approximately two per cent overvalued, compared to ten per cent a year ago, and five per cent at the start of the

Mr Chris Turner, currency strategist at BZW in London,

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

the dollar rallying up to DM1.60. "The markets are underestimating the fiscal drag on European economies as attempts are made to bring fis-cal deficits more into line with the Maastricht criterion. Because this is unprecedented in its scale, comparisons with interest rate movements in the past are misleading." Mr Turner believes German rates

helping the dollar in the pro-This view is disputed by the SBC Warburg team. "In the shorter run, the fiscal drag on the economy will be less than one per cent...The current easy stance of monetary policy, together with assistance from the export sector, should more

will stay lower longer than the

market currently believes,

They conclude that "we are approaching the end of DEM policy inspired weakness." They argue that a meek Fed response to the "twin pros-

than offset the fiscal drag."

start a "pronounced weakening trend" in the dollar.

Events in Germany could bolster this trend. Ms Bronwyn Curtis, analyst at DMG in London, says that last time the Bundesbank lowered the discount and Lombard rates to create flexibility, hinting at lower rates, it then falled to lower the repo before turning the interest rate cycle.

■ The Finnish markka finished slightly easier against the D-Mark on speculation that the central bank might use recent currency strength as an excuse to trim interest rates. Analysts expect rates to fall by 25-50 basis points.

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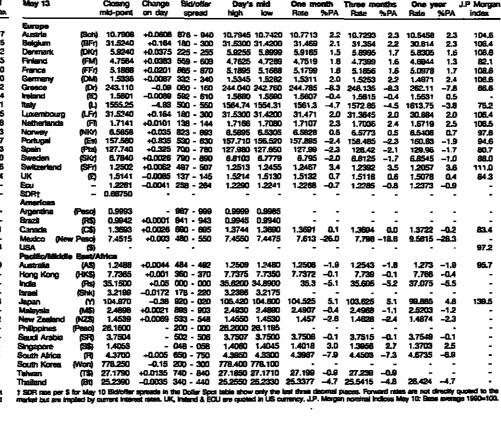
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Asan SSing Short term make III THREE M Jun Sep Dec III THREE M Jun Sep Dec Mar Mar	2 <sup>3</sup> s as recall (ONTH F Open 98.05 95.94 (ONTH E Open 98.80 98.85 98.86 96.35 (ONTH E	- 2 ls - 2 ls tor the l TEGR p 96.0 95.9 Sett pr 96.8 96.8 96.3 Sett pr Sett pr	13 - 13 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	13   13   13   13   13   13   13   13	- 13 - 2,1 - 2,1 - 2,1 - 2,1 - 3,1 - 3	# - 2 28 - 21 no days no days no days no days no days no days no interbork Low 96.03 96.04 95.90  **DM1m pp Low 96.77 96.82 96.31 L1000m pp Low Low Low Days no days n	ill - 22 - 22 - 22 - 22 - 22 - 22 - 22 -	2/4 rate (f . vof .505 231 757 100% vol . vol .225 098 152 705 100%	1.5 - 1.5 25g - 2½ 7Fr 5ml Open int. 49,685 52,322 31,236 Open int. 184153 242029 203849 148121 Open int.
Asan SSing Short term met III THREE M Jun Sep Dec Mar K THREE M Jun Sep Dec Mar K THREE M	236 as ner call (ONTH F OPEN SE.05 95.94   ONTH F OPEN SE.05 95.94   ONTH F OPEN SE.05 96.66 96.86   ONTH F OPEN SE.06 96.80   OPEN SE.06 96.83 91.89   OPEN SE.06 96.86   OPEN SE.06   OPE	- 7 - 2   1 - 2   1   1   1   1   1   1   1   1   1	H - H - H - H - H - H - H - H - H - H -	### 15 15 15 15 15 15 15 15 15 15 15 15 15	- 13 - 2,1 - 2,1 - 2,1 - 2,1 - 2,1 - 3,1 - 3	# - 2 28 - 21 28 - 21 New days - 1 1 New 96.03 96.03 96.90 DM1m pc Low 96.77 96.62 96.62 96.31 L1000m pc	Est	11 2/1 rate (f . vol . 1152 ros . vol . vo	1.5 - 1.5 2-8 - 2-12 2-8 - 2-12 7-7 5m) Open int. 49,855 52,322 31,236 Open int. 184153 242129 203849 148121 Open int. 50864 33820
Asan SSing Short term make III THREE II Jun Sep Dec III THREE II Jun Sep Dec Mar III THREE II Jun Sep Dec	236 as not call (ONTTH E OPEN 98.05 95.94 ONTTH E OPEN 98.85 98.66 96.35 OPEN 98.85 OPEN 98.80 OPEN 99.80 OPEN	- 214 - 214 - 215 - 216 - 26.0 - 96.0 - 96.0 - 96.7 - 96.3 - 96.3	II - II	### ### ### ### ### ### ### ### ### ##	- 13 - 2,1 - 2,1 - 2,1 - 2,1 - 2,1 - 3,1 - 3	11 - 2 21 - 2 21 - 2 21 - 2 21 - 2 21 - 2 21 - 2 2 2 3 5 3 5 5 3 5 5 3 5 5 3 5 5 3 5 5 3 5 5 3 5 5 3 5 5 3 5 5 3 5 5 3 5	ints of  Est  Sints of  Est  Sints of  Est  67  74	13 24 rate (f 2 vol 505 rose 757 rose 7	1½ - ½ 25 - 2½ 27 - 2½ 27 - 2½ 27 - 5ml  Open int. 49,685 52,322 31,236  Open int. 194153 242029 203849 148121  Open int. 50864 33920 24625
Asan SSing Short term mate III THRIEE II  Jun Sep Dec III THRIEE II  Jun Sep Dec Jun Sep Dec Mar III THRIEE II  Jun Sep Dec Mar III THRIEE III	236 are call (ONTH F OPEN   98.05 86.05 95.94   OPEN   98.85 99.85 99.85   96.85 99.93   96.85 99.93   96.95	Sett pp 96.0 95.0 95.0 95.0 95.9 96.3 96.3 96.3 91.30 91.30 91.30 91.30 91.30	II - II	1 13 12 12 12 12 12 12 12 12 12 12 12 12 12	- 13 - 24 - 24 - 34 - 34 - 36.05 95.90 (LIFFE) - High 96.85 96.85 96.85 96.85 1.19 91.39 91.96 91.96 92.08	12 - 2 212 - 2 212 - 2 213 - 2 213 - 2 213 - 2 203 - 2	2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 8/2 - 2/2 - 2/2 - 8/2 - 2/2 -	12 2/4 rate (f vol	1.5 - 1.5 25g - 2½ 27g - 2½ 27r 5ml Open int. 49,685 52,322 31,236 Open int. 184153 242029 203649 148121 Open int. 50864 33820 24625 9313
Asan SSing Short term make III THREE II Jun Sep Dec III THREE II Jun Sep Dec Mar III THREE II Jun Sep Dec	236 as are call CONTH F Open 98.05 95.94 CONTH F Open 98.80 98.85 99.65 99.65 CONTH E Open 91.33 91.89 92.05 92.02 CONTH E	Sett po 96.0 95.9 96.0 95.9 96.6 96.6 96.6 96.3 96.3 91.9 91.9 92.11 92.0	II - II	13   13   13   13   13   13   13   13	- 13 - 2,1 - 2,1 - 2,1 - 2,1 - 2,1 - 3,1 - 3,0 - 3	12 - 2 28 - 28 28 - 29 28 - 29 28 - 29 28 - 29 28 - 29 28 - 29 28 (LIFFE) 5	-   -   -   -   -   -   -   -   -	13 22 1 100% voi 100%	1.5 - 1.5 25g - 2½ 27g - 2½ 27r 5ml Open int. 49,685 52,322 31,236 Open int. 184153 2421029 203649 148121 Open int. 50864 33820 24625 9313 of 100%
Asan SSing Stort term met III THREE III Jun Sep Dec Mar II THREE III Jun Sep Dec Mar III THREE III III Jun Sep Dec Mar III III III III III III III III III I	2-3g a rer call of the call of	- 71 - 214 ter the literature of 6.0 96.0 95.9 98.77 98.8; 98.6; 98.6; 98.3; 98.4; 91.9; 91.9; 92.0; 92.11 92.0; 93.17 92.0; 93.17 92.0; 94.17 95.17 9	II - II	13   13   13   13   13   13   13   13	- 13 - 2,1 - 2,1 - 2,1 - 2,1 - 3,1 - 3,0 - 3	## - 2 212 - 2 212 - 2 213 - 2 213 - 2 213 - 2 213 - 2 203 - 2 204 - 2 205 - 2	22	13 2/2 rate (f voi	1.5 - 1.5 25g - 2½ 25g - 2½ 7Fr 5ml Open int. 49,685 52,322 31,238 Open int. 184153 242029 203849 148121 Open int. 50864 33820 24625 9313 of 100% Open int.
Asan SSing Short term mate III THRIEE II  Jun Sep Dec III THRIEE II  Jun Sep Dec Jun Sep Dec Mar III THRIEE II  Jun Sep Dec Mar III THRIEE III	236 as are call CONTH F Open 98.05 95.94 CONTH F Open 98.80 98.85 99.65 99.65 CONTH E Open 91.33 91.89 92.05 92.02 CONTH E	Sett po 96.0 95.9 96.0 95.9 96.6 96.6 96.6 96.3 96.3 91.9 91.9 92.11 92.0	ii - ii	13   13   13   13   13   13   13   13	- 13 - 2,1 - 2,1 - 2,1 - 2,1 - 2,1 - 3,1 - 3,0 - 3	12 - 2 28 - 28 28 - 29 28 - 29 28 - 29 28 - 29 28 - 29 28 - 29 28 (LIFFE) 5	in the second se	13 22 1 100% voi 100%	1.5 - 1.5 25g - 2½ 27g - 2½ 27r 5ml Open int. 49,685 52,322 31,236 Open int. 184153 2421029 203649 148121 Open int. 50864 33820 24625 9313 of 100%
Asan SSing Stort term met III THREE III Jun Sep Dec Mar III THREE III Jun Sep Dec III Sep Dec	2-3 <sub>6</sub> a ray call of the call	- 7 - 21 ter me t 1800R i 96.0 95.9 95.9 96.5 97.8	ii - ii	13   13   13   13   13   13   13   13	- 32 - 2.12 contents to the first part of the fi	## - 2 28 - 28 28 - 29 28 - 29 28 - 29 4 - 20 96.03 96.04 95.90 100 100 100 100 100 100 100 100 100 1	II - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 -	13 2.1 rate (f voi	1.5 - 1.5 25g - 2½ 27g - 2½ 27r 5ml Open int. 49,885 52,322 31,238 Open int. 184153 242029 203849 148121 Open int. 50864 33820 24625 9313 of 100% Open int. 24861 18835 11877
Asan SSing Stort term met III THREE III Jun Sep Dec Mar II THREE III Jun Sep Dec Mar III THREE I	2-36 as are call (ONTTH E Open 98.05 98.05 98.05 98.80 98.86 98.36 (ONTTH E Open 98.80 99.35 (ONTTH E Open 99.06 97.99 97.71 97.43	- 11 - 21 - 21 - 21 - 21 - 21 - 21 - 21	ii - ii	1 13 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	- 13 content : 12	## - 2 28 - 28 28 - 28 28 - 28 28 - 28 28 - 28 28 - 28 28 (LIFE) ! Low 98.82 96.82 96.82 96.83 91.87 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 92.04 93.04 94.04 95.04 97.43	Fig 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 -	# 214   1   1   1   1   1   1   1   1   1	1.5 - 1.5 25 <sub>8</sub> - 2½ 25 <sub>8</sub> - 2½ 7Fr 5ml Open int. 49,685 52,322 31,236 Open int. 194153 242029 203849 148121 Open int. 50864 33820 24625 9313 of 100% Open int.
Asan SSing Stort term met III THREE III Jun Sep Dec Mar III THREE III Jun Sep Dec III Sep Dec	2-36 as marcal in CONTRA II CONTRA I	- 11 - 21 - 21 - 21 - 21 - 21 - 21 - 21	II - II	1 13 13 13 13 13 13 13 13 13 13 13 13 13	- 13 content : 12	## - 2 28 - 28 28 - 29 28 - 29 28 - 29 28 - 29 28 (LIFE) 1 28 - 29 28 (LIFE) 1 29 20 29 20 20 20 20 20 20 20 20 20 20 20 20 20	Fig 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 -	H 214 rate (f 224	1.5 - 1.5 2.5 - 2.12 2.5 - 2.12 2.5 - 2.12 2.5 - 2.12 2.5 - 2.12 2.6 - 2.12 2.6 - 2.12 2.7 - 2
Asan SSing Short term met III THREE III Jun Sep Dec Mar II THREE III Jun Sep Dec Mar III THREE III III Jun Sep Dec Mar III III III III III III III III III I	2-36 as are call of the call o	- 7 24 to the 1 1 24 to the 1 24 to the 1 24 to the 1 24 to the 2	II - II	### ### ### ### ### ### ### ### ### ##	- 13	12 - 2 28 - 29 - 22 28 - 29 - 20 - 20 - 20 - 20 - 20 - 20 - 20	Fig Control of the	H 214 rate (f vol 225 room of	1.5 - 1.5 2.5 - 2.12 2.5 - 2.12 Fr 5ml Open int. 49,685 52,322 31,236 Open int. 184153 242029 203849 148121 Open int. 50864 33820 24625 9313 of 100% Open int. 24861 18836 11377 5184
Asan SSing Stort term met III THREE III THREE III Jun Sep Dec Mar	2-3g are call of the control of the	- 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1	ii - ii	13   13   13   13   13   13   13   13	- 13 content : 12	## - 2 28 - 28 28 - 29 28 - 29 28 - 29 28 - 29 28 (LIFE) 1 28 - 29 28 (LIFE) 1 29 20 29 20 20 20 20 20 20 20 20 20 20 20 20 20		H 214 100% 100% 100% 100% 100% 100% 100% 10	1.5 - 1.5 2.5 - 2.1 2.5 - 2.1 2.3 - 2.2 2.3 - 2.3 2.3 - 2.3
Asan SSing Short term met III THREE III Jun Sep Dec Mar II THREE III Jun Sep Dec Mar III THREE III III Jun Sep Dec Mar III III III III III III III III III I	2-36 as are call of the call o	- 7 24 to the 1 1 24 to the 1 24 to the 1 24 to the 1 24 to the 2	II - II	### ### ### ### ### ### ### ### ### ##	- 13	12 - 2 28 - 29 - 22 28 - 29 - 20 - 20 - 20 - 20 - 20 - 20 - 20	Fig 2 contract of East 13.1 contract of East 10.1 contract of 10.1 cont	H 214 rate (f vol 225 room of	1.5 - 1.5 2.5 - 2.12 2.5 - 2.12 Fr 5ml Open int. 49,685 52,322 31,236 Open int. 184153 242029 203849 148121 Open int. 50864 33820 24625 9313 of 100% Open int. 24861 18836 11377 5184
Asan SSing Stort term net in THREE M  Jun Sep Dec Mar ITHREE M	2-36 as are call of the call o	- 7	II - II	### ### ### ### ### ### ### ### ### ##	- 13	12 - 2 21 - 2 20	Fig Constitution of the	H 214 rate (f 224	1.5 - 1.5 2-8 - 2.1 2-8 - 2.1 2-7 - 5ml Open int. 49.865 52.322 31.236 Open int. 194153 242129 203649 148121 Open int. 50864 33920 24625 9313 of 100% Open int. 24961 18835 11377 5184
Asan SSing Short term met all THREE M Jun Sep Dec Mar M THREE M Jun Sep Dec M THREE M THRE	2-36 as are call of the call o	- 7	II - II	### ### ### ### ### ### ### ### ### ##	- 13	12 - 2 21 - 2 20	Fig Control of the	H 214 rate (f 224	1.5 - 1.5 2-8 - 2.1 2-8 - 2.1 2-7 - 5ml Open int. 49.865 52.322 31.236 Open int. 194153 242129 203649 148121 Open int. 50864 33920 24625 9313 of 100% Open int. 24961 18835 11377 5184
Asan SSing Short term met all THREE M Jun Sep Dec Mar M THREE M Jun Sep Dec M THREE M THRE	2-36 as are call to the call t	- 7 to 1 to	ii - ii	13   13   13   13   13   13   13   13	- 13 catherist : 12 catherist : 12 catherist : 12 catherist : 13 catherist : 14 catherist : 15 c	- 2 28 - 29; nc interbank Low 98.03 98.04 95.90 DM1m pp - DM1m p	Fig Control of the	H 214 1 214	1.5 - 1.5 2.5 - 2.1 2.5 - 2.1 2.5 - 2.1 2.5 - 2.1 2.5 - 2.1 2.5 - 2.1 2.5 - 2.1 2.3 - 2.2 2.3 - 2.3 2.3 - 2.3
Asan SSing Stort term mate in THARES IN THARES IN Jun Sep Dec Mar IN THARES IN Jun Sep Dec Se	2-36 a rare call of the call o	- 7	II - II	### ### ### ### ### ### ### ### ### ##	- 13	- 2 28 - 28 28 - 295 nc interbank Low 98.03 98.04 98.02 98.07 98.82 98.37 98.81 1.1000m point Low 91.87 92.04 92.02 98.02 97.91 97.91 98.02 97.91 98.02 97.91 98.02 98.02 98.02 98.03 1.00m point Low 98.18 98.59 98.59		H 224 122 100% 100% 100% 100% 100% 100% 100%	1.5 - 1.5 2.6 - 2.12 2.7 - 2.12 7.7 - 5.11 Open int. 49.685 52.322 31.236 Open int. 184153 242029 203849 148121 Open int. 50864 33820 24625 9313 of 100% Open int. 18835 11377 5184 Open int. na na na
Asan SSing Short term make in THARES in THARES in Jun Sep Dec Mar in THARES in T	2-3 <sub>0</sub> a ray call of the call	- 7	ii - ii	### ### ### ### ### ### ### ### ### ##	- 13 contents to 12 c	- 2	Fig Control of the	H 21 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1.5 - 1.5 25g - 2½ 27g - 2½ 27r 5ml Open int. 49,685 52,322 31,236 Open int. 194153 242029 203849 148121 Open int. 50864 33820 24625 9313 of 100% Open int. 24961 18835 11377 5184 Open int. 18835 11377 5184
Asan SSing Stort term mate in THARES IN THARES IN Jun Sep Dec Mar IN THARES IN Jun Sep Dec Se	23g a ray call post of the collection of the col	- 7. 24 to the L Total of the Country of the Countr	ii - ii	### ### ### ### ### ### ### ### ### ##	- 13	- 2 28 - 28 28 - 295 nc interbank Low 98.03 98.04 98.02 98.07 98.82 98.37 98.81 1.1000m point Low 91.87 92.04 92.02 98.02 97.91 97.91 98.02 97.91 98.02 97.91 98.02 98.02 98.02 98.03 1.00m point Low 98.18 98.59 98.59	Fig Control of the	H 224 122 100% 100% 100% 100% 100% 100% 100%	1.5 - 1.5 2.6 - 2.12 2.7 - 2.12 7.7 - 5.11 Open int. 49.685 52.322 31.236 Open int. 184153 242029 203849 148121 Open int. 50864 33820 24625 9313 of 100% Open int. 18835 11377 5184 Open int. na na na

WORLD INTEREST RATES

Over One Three Stx night month miths miths

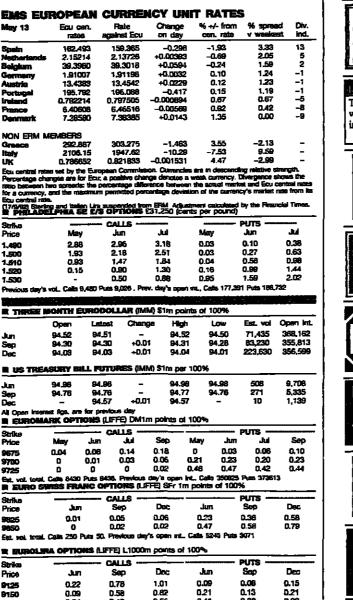
**MONEY RATES** 

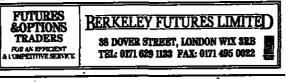
13 13		Closing mid-point	Change on day	9id/offer spread	Day* high	s Mild kow	One ma	onth %PA	Three m	enths %PA	One y		Bank o
Eurobe							1440	AIL V	LAND	70FA	ruste	AFA	E19. HO
Austria	(Sch)	16.3384	AD 0014	292 - 475	46 074	16.3239	4						
Belgium	(BFr)		-0.0167			47.7030		2.3 2.6		2.6			104
Denmark	(DKr)			649 - 742		8.9645		2.5	47.4155 8.9214	2.6			
Finland	(FM)			990 - 104	7.2250					22	8.7781	2.1	
France	(FFr)			508 - 557	7.8745			0.7	7.1922	0.7			62
Germany	(DM)			208 - 232	2.3301			2.2	7.8113	2.1	7.6784	22	
Greece	Đή			920 - 266		367.918		2.6	2,3066	2.7	2.2563	2.8	
treland	(121)			697 - 713		0.9683		1.0	0.9884	0.9	0.9617	0.9	67.
italy	a.		-20.5			2352.74		-42	237B.15		2430.85		98. 76.
Luxembouro	(LFn			088 - 522		47.7030		26		-4.0			
Natherlands	(Fi)			942 - 965	2.6082				47,4155	2.6	46.4955	2.6	106.
Norway	NKI)	9.9716		636 - 795			2.5891	2.9	2.5764	2.9	2.5172	3.0	106.
Portugal	(Es)		-0.0023	453 - 731		9.9355 237,533	9.9826	1.1	9,9435	1.1	9.8478	1.2	98.
Spain	(Pta)	193,411		300 - 523		193,290	239.017 193.721	-21	239,922	-2.2			94.
Sweden	(SKr)			614 - 819		10,2610		-1.9 -0.1	194.216 10.2745	-1.7 -0.1	195.871 10.2768	-1.3	81. 89.
Switzerland	(SFr)	1.8930		917 - 942	1.8998							0.0	
LIK	É		-0.001	317 - 342	1.0996	1.5913	1.8969	3.9	1.874	4.D	1.8163	4.0	111.
ecu Ecu	, <u>, , , , , , , , , , , , , , , , , , </u>	1.2349	0.0000	343 - 355									84.
SORt		1.050700	-0.0020	343 - 355	1.2392	1.2335	1.2336	1.3	1.2307	1.4	1.2173	1,4	
Americas	_	1.050100	-	-	-	-	-	-	-	-	-	-	
Amentina	(Peso)	1.5130	0.0005	117 - 143	4 5000								
Brazil	(FS)	1.5054			1.5208		-	-	-	-	-	-	
Canada				048 - 059	1.5123	1.5045		.:	-				
	(Cs)	2.0732		723 - 741	2.0896		2.0725	0.4	2.0688	0.8	2.0608	0.6	84.
Men Course	v Peso)	11.2823		740 - 908		11.2735							
	(5)	1,5141	-0.0085	137 - 145	1.5214	1.5135	1.5132	0.7	1.5118	0.6	1.5078	0.4	96.4
ecific/Middle													
Australia	(A\$)	1.8909	-0.0039		1.9031	1.8885	1.8935	-1.6	1.8985	-1.6	1.9238	-1,7	83.5
Hong Kong	(HKS)	11.7139	-0.0638	100 - 177		11.7100	11.7058	0.8	11.6942	0.7	11.6744	0.3	
ndia	(Fis)	53.2207	-0.2209	281 - 133		52.8275	-	-	-	-	-	-	
erael	(Shk)	4.8753		708 - 797	4.9255	4.8705	-	-		-	-	-	
lapan	_ (Ω)	158.935		817 - 053		158.810	158.21	5.5	156.72	5.6	150.305	5.4	139.8
Malaysis	(MS)	3.7699		681 - 715	3.7911		-	-	-	-	-	-	
New Zealand	(NZS)	2.2015		998 - 032		2,1990	2.2085	-2.7	2.2159	-2.6	2.2498	-22	107.2
Philippines	(Peso)	39.6089	-0.2211	378 - 799	39.7395		-	-	-	-	-	-	
Saudi Arabia	(SR)	5.6785	-0.0317	767 - 803	5.7057	5,6760	-	-	-	-	-	-	
Singepore	(SS)	2.1278	-0.0119	264 - 291	2.1378	2,1260	-	-	-	-	-	-	-
South Africa	(Pt)	6.6166	-0.0294	073 - 259	6.6848	8.5780	-	-	-	-	•	-	-
South Korea	(Won)	1178.35	-6.8	796 - 874	1184.11	1177.90	-	-	-	-	-	-	-
anvar	(15)	41,1518	-0.2091	333 - 702	41.3364	41.1330	-	-	-	-	-	•	-
hailand	(Bt)	38.2144	-0.2188	967 - 820	38.4200	38.1960	-	-	-	-	-	-	-
Pates for May are implied to ad-rates in both	v cimeni	Interest out	a. Sterling i	ndev celsulate	d by the Br	ink of Enak	and Base a	WEI 73.00	1980 = 100	. Index	rebased 1/2	2/85. B	d. Offer en



are implied and implied and makes in it	d by currer	d Interest	resent. Stori	no inde	w celsuis	and by t	ha Bank i	of Brokend	. Base avers	ce 1980 =	: 100. Ind	ex rebased 1	1/2/95. BK	d, Offer and				10 Eki/offe current inte	
CROSS	RAT	S AN	D DE	₹ĮVA	ATIVE	S													٠.
EXCHA	NGE C	ROSS	RATI	s ·															
May	13	BFr	DKr	F	<del>∓</del> r	DM	轻	L	R	NKr	Eş	Pta	SKr	SFr	3_	C\$	5	Y	Ecu
Selghun	(8	Pr) 100	18.79	18	3.45	1.865	2.034	4934	5.437	20.89	499.9	405.2	21.52	3.964	2.095	4.343	3.172	332.9	2.587
)enmerk		Kr) 58.2		_		2.589	1.082	2625	2.893	11.12	266.0	215.6	11.45	2.109	1.115	2.311	1.688	177.1	1.377
TBRCD		Fr) 60.7				2.957	1.238	2999	3.304	12.70	303.8	246.3	13.06	2.409	1.273	2.640	1.928	202.3	1.573
<b>Jerniany</b>		M) 20.5			382	. 1	0.418	1014	1.11B	4.295	102.8	83.29	4.423		0.431	0.893	0.652	68.43 163.6	0.532 1.272
reland	!	E) 49.1				2,391	1	2425	2.573	10.27	245.7	199.2	10.58	1.949 0.080	1.030 0.042	2.135 0.088	1.559 0.064	6,747	0.052
		(1) 202				0.099 0.895	0.041 0.374	100. 907.5	0.110 1	0.423 3.843	10.13 91.95	8.212 74.53	0.436 3.958	0.729	0.385	0.799	0.583	81.23	0.032
lethorland		FR) 18.3 Kr) 47.8		_		2.329	0.374	2382	2.602	10	239.3	193.9	10.30	1.897	1.003	2.079	1,518	159.3	1.238
lorvey Portugal		En 2010				0.973	0.407	987.0	1.088	4.179	100.	81.06	4.304	0.793	0.419	0.869	0.635	86.60	0.518
_		ta) 24.6				1.201	0.502	1218	1.342	5.158	123.4	100.	5.310	0.978	0.517	1.072	0.783	82.16	0.639
ipalo Sweden		Kr) 46.4		-		2.261	0.945	2293	2.527	9.710	232.3	188.3	10	1.842	0.974	2.019	1.474	154.7	1.203
iwitzerland		Fri 25.2				1.227	0.513	1245	1.372	5.271	126.1	102.2	5.428	1	0.529	1.095	0.800	83.69	0.653
1K	•	<b>60</b> 47.7				2.322	0.971	2355	2.595	9.972	238.6	193.4	10.27	1.892	1	2.073	1.514	158.9	1,235
Canada	Ð	CS) 23.0	2 4.32	3.	.788	1.120	0.468	1136	1.252	4.810	115.1	93.29	4.954	0.913	0.482	1	0.730	76.65	0.596
IS	-	(S) 31.5	3 5.82	5 5.	.187	1,534	0.641	1555	1.714	6.587	157.6	127.7	6.783	1.250	0.661	1.389	7	105.0	0.816
lapan		(N) 30.0				1.451	0.611	1482	1.633	6.276	150.2	121.7	6.463	1.191	0.629	1.305	0.953	100.	0.777
cu		38.6				1.880	0.796	1907	2.101	8.074	193.2	158.6	6.316	1.532	0.810	1.679	1.226	128.7	1
Denieh Krone II D-MARI	-		_			in Knonza	r par 1u;	neden L	anc, Year, CI				THE STATE OF THE S	(IMM) Yan	12.5 per	Yen 100			
	Open	Late			High		DW .	Est. voi	Open int.			Open	Latest	Change	High		Wu 1	Est. vol	Ocen int
-	0.6538	0.65		-	0.6557		532	27.107	82,682	Jen		0.9584	0.9560	+0.0031	0.956			16.017	54.087
un	0.6580	0.65			0.6580		575	294	4.297	560		0.9678	0.9677	+0.0035				689	2,916
iep Jec	u.0000	0.86			0.6683		840	113	1,053	Dec		-	0.9755		-	-	•	9	2,040
i swiss i	FRANC F	UTURE:	B (IMM) SI	r 125,	,000 per	SFt				<b>#</b> \$	TERLO	Q FUTUR	ES (IMM	) 262 <u>500</u> p	er £				
	0.8020	0.80			0.8053		3015	19.732	43,881	Jun	_	1.5174	1.5168	-0.0032	1.521	10 1.5	152	11.038	46.947
km Sep	0.8084	0.81			0.8103		3091	202	2.171	Seo		1.5166	1.5150		1.516	6 1.5	140	19	394
)ec	0.8170	0.81		008	0.8175	0.6	3170	3	724	Dec		-	1.5140	-0.0030	-	1.5	140	2	34
											e Ei	ROPE		URREN	CV III	urt D/	TES		
UK IN	TERE:	ST RA	TES					·-		Men		Ecu ce		Rate	Change		· from	, % spree	d Div.
ONDO												rates		elnet Ecu	on day		rate	v weeke	
		Over			One	Th	ree	Six	One	Stop	pu	162.41	93.	159.365	-0,296	3 -1.	93	3.33	13
<b>dar</b> e 13		night	notii		month			months	year		hertonds	2.152	14 2	2.13726	+0.00363			2.05	5
- 24						-		1 0!	27 . 89	Belg	plum.	39.39	-	39.3018	+0,0594			1.59	2
terbenk St	erting	6 - 3	616 -		6 - 5i			清 - 6品 丛 - 5型	6% - 6 <u>%</u> 6 <u>%</u> - 6 <u>%</u>		пепу	1.910		1,91198	+0.0032			1.24	-1
terling CDs		-	-		6 - 5뱒			77 · 25	A 35 - A 37	Aus		13,43		13.4542	+0.0221	_	12	1.23	-1
reasiny Bill		-	-		583 - 58 582 - 57	3 5 <u>33</u>	·5楼 -56 :	- 34 - 543	-		أعودا	195.7		196.088	-0.417			1,19 0.67	-1 -5
Bank Bills			15 el-		511 - 51 614 - 51			6, 6	62 - 64	Ireia		0.7922 6.406		.797505 - 5.46516	-0.000894 0.00566		67 92	0.67	-8
ocal author		6½ - 5								Fras	nce mark	7,285		7.38385	+0.014		35	0.00	-9
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		0.8175	-0.6008	0.8175	0.6170			Dec						
								EMS EU	BUDEY	n cib	REMC	Y LIMI	T RAT	ES
UK II	VTERES	T RAT	ES					May 13	Ecu cen	L Rate		hange	% +/- fr	om
OND	NOM MO	EY R	TES					l	rates	against		n day	cen. 78	_
	P(C D-0-	Over-	7 days	One	Three	Six	One	Spain	162.49			-0,298 1,00383	-1,93 -0.69	
Are 13		night	ungce	month	months	months	year.	Netherlands Belalum	2.15214 39.3960			0.0594	-0.24	
nterbenk S	Sterling	6 - 3	64 - 54	6년 - 5월	614 - E	616 - 616	67 - 62	Germany	1.91007			0.0032	0.10	ı
iterling CE	Ds .	-	-	6 - 5분	6 - 515 627 - 625	832 - 532	8 <u>8</u> - 8 <u>2</u>	Austria	13.438			0.0229	0.12	
reasury B	ils	-	-	503 - 503 512 - 57a	533 · 583 574 - 563	5% - 5%	-	Portugal Ireland	195.79£ 0.782214			-0,417 000894	0.15 0.67	
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		61g - 53a	5 - 5 <b>%</b>	-	-	•	-	Denmark	7.28580	7.38	385 4	0.0143	1.35	i
K desin	benk base	lending rat	e 6 per cen	t from Man	ch 8, 1996		0.40	NON ERM M					0.55	
	-		Upto 1	1-9 menth	3-6 months	6-9 months	9-12 months	Greece	292.86 2106.1			-1.463 -10.29	3.55 -7.53	
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erts of Ta	ax dep. (£100	,000)	. 21 <sub>2</sub>	5 <sup>1</sup> 2	5			Equ central reta	er set by the	European Co	mmlason. (	Amendes	are in desc	encin
ents of Tax	dep. under £ rate of discour	100,000 ls 2	12pc. Daposi 1 6.8154cc.	BCGD inted	norcesποι~η nate Stig. Εκρ	ort Finance, i	Wales up day	Percentage che	nges are for we semeds: 1	Ecur, a positiv he cercentar	e change o	Jengles a v Benween	week curren The scoud r	ncy. Lit meritai
wa, 19miler Igar 80, 199	rate of discoul 6. Agreed rate od Mar 30, 195	tor period N	lay 26, 1996	to Jan 25, 1	996, Schemes	3 & 2 月 7.83; ca House Ba	oc, Heference ne Rate	for a currency,	and the maxi	mum permitt	od percenta	ge deviatio	on of the cu	menc)
ate for peri	od May 30, 199	10 10 Min on	, .,					Ety central rate (17/9/92) Steris P PHILADE	d sud parter.		ed from EF	M Adjust	ment calculo	eted b
THERE	May 1, 1996 E <b>MONTH</b> 5	TEPLING	PUTURES	(LIFFE) 25	00,000 poir	185 of 100%	<u> </u>	<i>!</i>	LPHEA SE	CALL		==U (Cert	s per pou	- P
	Open	Sett price		Hìgh	Low	EST. VOI	Open inc	Strike Price	Mav	مسلا		 u	May	
un	94.00	93.99	-0.01	94.01	93.98 93.90	6476 10159	77201 60524	1,490	2.88	2.96	3.	18	0.03	
iap	93.92	93.91	+0.02	93,94 93,70	93.61	21085	65057	1,500	1.93	2.18	_	51	0.03	9
Dec Vaar	93.63 93.21	93.65 93.26	+0.04	93.30	93.20	8466	47847	1.510	0.93 0.15	1,47 0.90		84 30	0.04 0.16	
	20.00	02.85	+0.05	92.68	92.78	4950	39109	1.520 1.530	0.15	0.50		.30 .88	D.95	- 1
Veo tradedi	on APT. AE C	pen interes	iga. are for	tangen q	ey.			Previous day's	vol. Calls 9,4	80 Pues 9,02	6 . Prev. da	A,s obeu a	ns., Calls 17	77,391
						<b>54</b>						المعمدات	أكالنانا	
	STEPLEC			200,000	oints of 100°	PUTS		2 THREE N	KONTH EV	RODOLLA	R (IMM) S	1m point	s of 100%	6
itriice		CAI	us	Dec	Jun	Sep	Dec	2 THREE N	Open	Latest	R (IMM) S Change	High	Low	,
trite Yice	Jun		us ep   es 0	Dec .25	Jun 0.01	Sep 0.10	0.35	Jun	Open 94.52	Latest 94.51	Change -	High 94.52	Low 94.50	, I
Strike Yice 1375		<b>CAI</b> Si 0.2 0.1	96 0	Dec 1.25 1.15	Jun 0.01 0.07	Sep 0.10 0.20		Jun Sep	Open 94.52 94.30	Latest 94.51 94.30	Change - +0.01	High 94.52 94.31	Low 94.50 94.28	, I D B
278e 76ce 1375 1400	Jun 0.25 0.06	<b>CAI</b> Si 0.2 0.1	96 0	Dec 1.25 1.15	Jun 0.01 0.07 0.27	Sep 0.10 0.20 0.38	0,35 0.50 0.68	Jun Sep Dec	Open 94.52 94.30 94.09	Latest 94.51 94.30 94.03	- +0.01 +0.01	High 94.52 94.31 94.04	94.50 94.28 94.01	, D B
Strike Price 9375 9400	Jun 0.25 0.06	<b>CAI</b> Si 0.2 0.1	96 0	Dec 1.25 1.15	Jun 0.01 0.07 0.27	Sep 0.10 0.20 0.38	0,35 0.50 0.68	Jun Sep	Open 94.52 94.30 94.09	Latest 94.51 94.30 94.03	- +0.01 +0.01	High 94.52 94.31 94.04	94.50 94.28 94.01	, I D B
Strike Price 1375 1400	Jun 0.25 0.06	<b>CAI</b> Si 0.2 0.1	96 0	Dec 1.25 1.15	Jun 0.01 0.07 0.27	Sep 0.10 0.20 0.38	0,35 0.50 0.68	Jun Sep Dec III US TREA	Open 94.52 94.30 94.03 SURTY BBL	Latest 94.51 94.30 94.03 PUTURE: 94.96	- +0.01 +0.01	High 94.52 94.31 94.04 1m per 1 94.98	Low 94.50 94.28 94.01 00%	0 B 1 :
Strike Price 1375 1400	Jun 0.25 0.06	<b>CAI</b> Si 0.2 0.1	96 0	Dec 1.25 1.15	Jun 0.01 0.07 0.27	Sep 0.10 0.20 0.38	0,35 0.50 0.68	Jun Sep Dec III US TREA	Open 94.52 94.30 94.03 SURTY BBL	Latest 94.51 94.30 94.03 L FUTURE 94.98 94.76	+0.01 +0.01 +0.01 S (IMM) S	High 94.52 94.31 94.04 1m per 1 94.98 94.77	94.50 94.28 94.01	0 B 1 :
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Strike Price 1375 1400	Jun 0.25 0.06	CA Sc 0.2 0.1 0.0 Puts 1891.	Previous day	Dec 1.25 1.15 1.08 73 open wil	Jun 0.01 0.07 0.27 , Cals 13784	0.10 0.20 0.38 4 Puss 12166	0.35 0.50 0.88 23	Jun Sep Dec B US TREA Jun Sep Dec	Open 94.52 94.30 94.03 94.03 SURY BBL 94.96 94.78 	Letest 94.51 94.30 94.03 PUTURES 94.86 94.57 or previous d 115 (LIFFE) CALLE	+0.01 +0.01 +0.01 S (IMM) \$ - - +0.01 by DM1m px	High 94.52 94.31 94.04 Tim per 1 94.98 94.77 94.57	94.50 94.26 94.01 00% 94.98 94.76	0 B 1 :
Strikes Price 1975 1975 1900 1425 151. uo. tot	Jun 0.25 0.06 0.01 at, Calla 4738	CAI Si 0.2 0.1 0.0 Puls 1691.	Previous day	Dec 125 115 108 7s open int.	Jun 0.01 0.07 0.27 Cals 13784 ATES	Sep 0.10 0.20 0.38 4 Puss 12160	0.35 0.50 0.88 23	Jun Sep Dec III US TREA Jun Sep Dec Al Open Intern III ELIROMA	Open 94.52 94.30 94.03 94.08 94.78 94.78 94.78 May	Lettest 94.51 94.30 94.03 94.06 94.76 94.76 94.76 94.76 94.57 or previous d 185 (LIFFE)	Change - +0.01 +0.01 S (IMM) \$ - +0.01 lay DM1m po	High 94.52 94.31 94.04 11m per 1 94.98 94.77 94.57	94.50 94.28 94.01 00% 94.98 94.76	, 0 8 1 3 8
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Strikes Price 1376 1376 1400 1425 151. vol. tot Adiant 3 (u. Allient 3 (	Jun 0.25 0.06 0.01 at, Calla 4738	CAN S	ES 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1	Dec	0.01 0.07 0.27 0.27 0.27 0.26 0.00 13794 0.00 Player 0.00 Single	Sep 0.10 0.20 0.38 4 Puss 12160 i Bik of Scott er & Frieder h & Willmsh	0.35 0.50 0.68 23 4 and - 6.00 nder 8.00 Secs. 8.00 Secs. 8.00	Jun Sep Dec III US TREA Jun Sep Dec Al Oper Insen III EUROMA Strike Price 9675 97700	Open 94.52 94.30 94.03 94.03 94.78 94.78 94.78 May 0.04 0.0	94.51 94.50 94.03 1. FUTURE 94.98 94.76 94.57 or previous d 985 (LIFFE) — CALLE Jun J 0.06 0.1	Change — +0.01 +0.01 S (IMM) \$ - +0.01 ey DM1m pc S U S 14 0:103 0.1	High 94.52 94.31 94.04 11m per 11 94.98 94.77 94.57 bints of 11 8 18 18 18 18 18 18 18 18 18 18 18 1	94.50 94.28 94.01 00% 94.98 94.78 	, 0 8 1 3 8
Adam & ( Alied Tru AB Back Fishey An	Jun 0.25 0.06 0.01 at, Calla 4788	CAL Sc	LESD Prevous day Prevous day LEND Lend Control & Good Prevous Grobert Plems	Dec 25	Jun 0.01 0.07 0.27 0.27 0.26 12784 1	Sep 0.10 0.20 0.38 4 Puss 12164 4 Puss 12164 as Friedland & Willmant	0.35 0.50 0.88 23 24 25 26 27 28 28 28 28 28 28 28 28 28 28 28 28 28	Jun Sep Dec  III US TREA Jun Sep Dec Al Oper Insen III EUROMA Strike Price 9675 9700 9725	Open 94.52 94.30 94.03 94.03 94.08 94.76 et 60. are figs. are fig. Color 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Lettest 94.51 94.30 94.03 94.03 94.06 94.76 94.57 or previous d 185 (LFFE) LOG 0.01 0.00 0.00 0.00 94.57 94.	Change	High 94.52 94.31 94.04 1m per 1/2 94.98 94.77 94.57 bints of 1/2 0.2 0.2 0.2 0.2 0.2 0.2 0.2 0.2 0.2 0.	94.50 94.26 94.01 00% 94.98 94.76 - 00% - 4ay J 0 0, 21 0, 24 0.	0 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8
Adam & Alled Tru Alled Tru Alled Tru Alled Tru Alled Tru Alled Tru Siène of &	Jun 0.25 0.06 0.01 at, Calls 4739 Company	CAL Sc	LLS  BB	Dec 2.25	Jun 0.01 0.07 0.27 0.27 0.28 13784 1	Sep 0.10 0.20 0.38 4 Pass 12:166  A Willman of Barris of K	0.35 0.50 0.58 23 24 25 26 27 27 28 28 29 29 20 20 20 20 20 20 20 20 20 20 20 20 20	Jun Sep Dec III US TREA Jun Sep Dec Al Open Interes III ELITROMIA Strike Price 9675 9770 9725	Open 94.52 94.30 94.03 94.03 94.08 94.76 et 60. are figs. are fig. Color 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Lettest 94.51 94.51 94.03 94.03 L FUTURE: 94.96 94.76 94.76 94.76 94.76 94.76 10.00 0.00 0.00 0.00 0.00 0.00 0.00 0.		High 94.52 94.31 94.04 1m per 1/2 94.98 94.77 94.57 bints of 1/2 0.2 0.2 0.2 0.2 0.2 0.2 0.2 0.2 0.2 0.	94.50 94.26 94.01 00% 94.98 94.76 - 00% - 4ay J 0 0, 21 0, 24 0.	0 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8
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· Agent Bank

NOTICE OF OPTIONAL REDEMPTION DEVELOPMENT FUND OF ICELAND (FRAMKVÆMDASJÓÐUR ÍSLANDS) (Established under the laws of the Republic of Iceland)

U.S.\$35,000,000 Floating Rate Notes Retractable at holder's option in 1995

NOTICE IS HEREBY GIVEN THAT the Development Fund of lectand has elected to redeem on 18 June 1996 [the "Redemption Date"] all of its outstanding 17,000,000 Floating Rate Notes due 1997 (the "Notes") pursuant to paragraph 4(b) of the Terms and Conditions of the Notes. On and other the redemption date interest on the Notes will cause to accrue. The Bands together with all unmostured coupons attached thereto, should be presented for payment and surrendered of the office of the Fiscal and Principal Paying Agents as set out on the reverse of the Notes.

May 14, 1996, Landon By: Ciribonk, N.A. Principal Paying, Exchange and Transfer Agent

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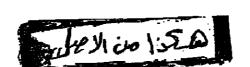
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FINANCIAL TIMES TUESDAY MAY 14 1996 LONDON SHARE SERVICE ALCOHOLIC BEVERAGES 延三 |Wint | 1115 | 1277 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1278 | 1 MEGOTOLAKALGALIKEN TERKATELELIKEN INTERKATELELIKEN INTERKETEN TERKATELELIKEN INTERKATELELIKEN INTERKETEN INTERKET 뼥냋뛼첀딦쮩VRITX윩찞쮣RVYX대문넻쓤똪짇쨆똣뺜왩띰쓁짇뺚排똤첀쒖쨊꼰컜뇈쿅냋ቀ껸찞냋휵뿄뢦포즫뚕쁺냋뵹묐똣냋??,40KXX연땠였긴똣똮왞첀쳶긲쀼뫇쁙냋왱넻였둮뙦쬤뚕뿄컜뀨묨냋똕 뉌냋뛼첀딦됈VRITX EBETHEST THE SALUTATION OF THE SALUTANCE SECTION OF THE SALUTANCE SECTI المَقِيَّةُ ﴿ الْجَدِدِ وَمَا الْمُلِيُّونُو أَوْهِ [ ] [ ] إِنَّا أَمْدُ إِنَّ أَيْدِيدُ ﴿ إِنَّ إِن إِمامِن فِيهِ أَجْدِدُ أ 133 14.9 FOTES ALL THE STATE OF 2A 1495 164 87 748 124 41 3856 58 38 4164 -1 1.1 5236 28 PACKARD Print leader, performance servers, managed desktops. | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 From the UK's leading provider of distributed IT systems and services. American 14 Americ 19 143 1 143 Computacenter FOOD PRODUCE

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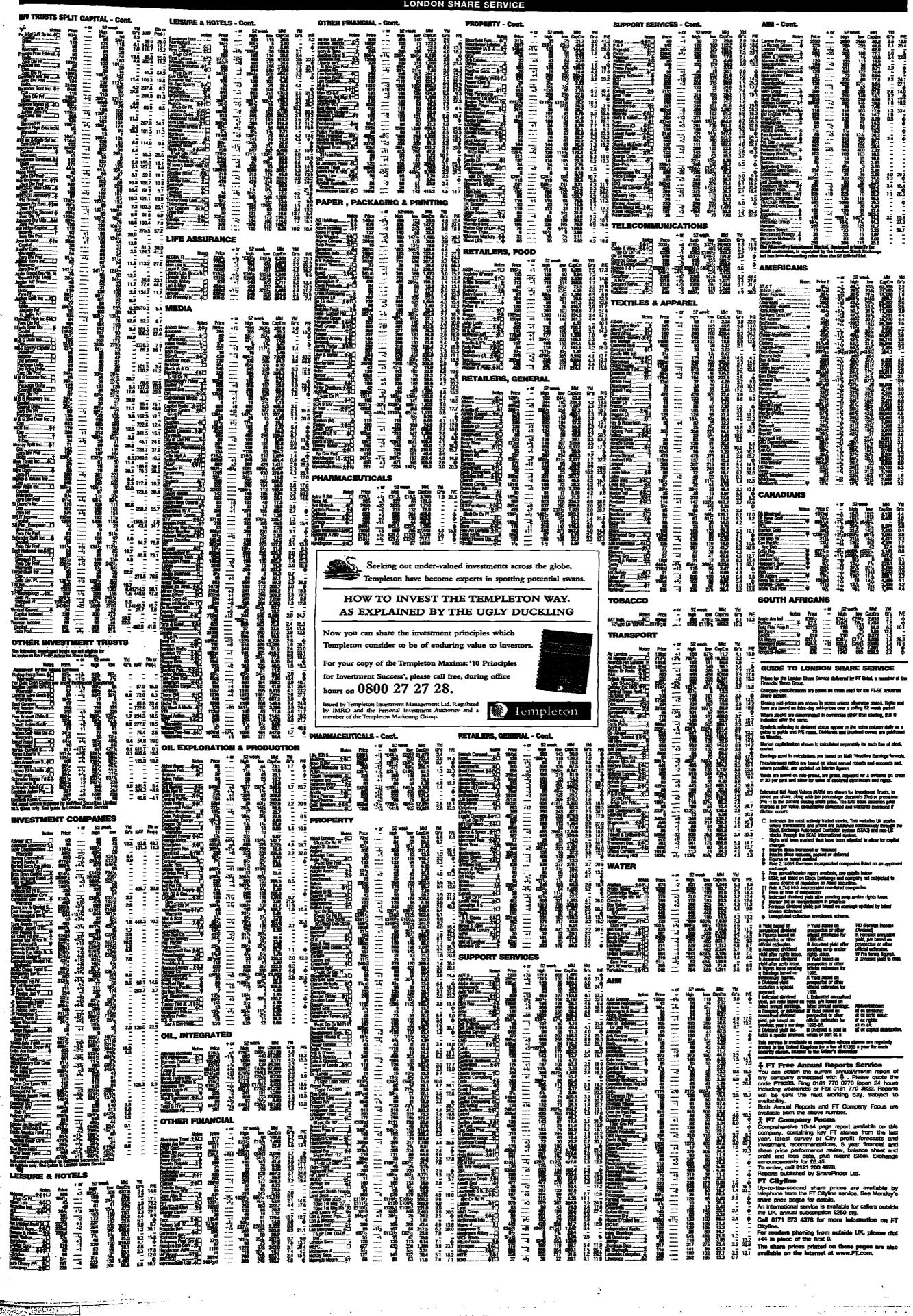
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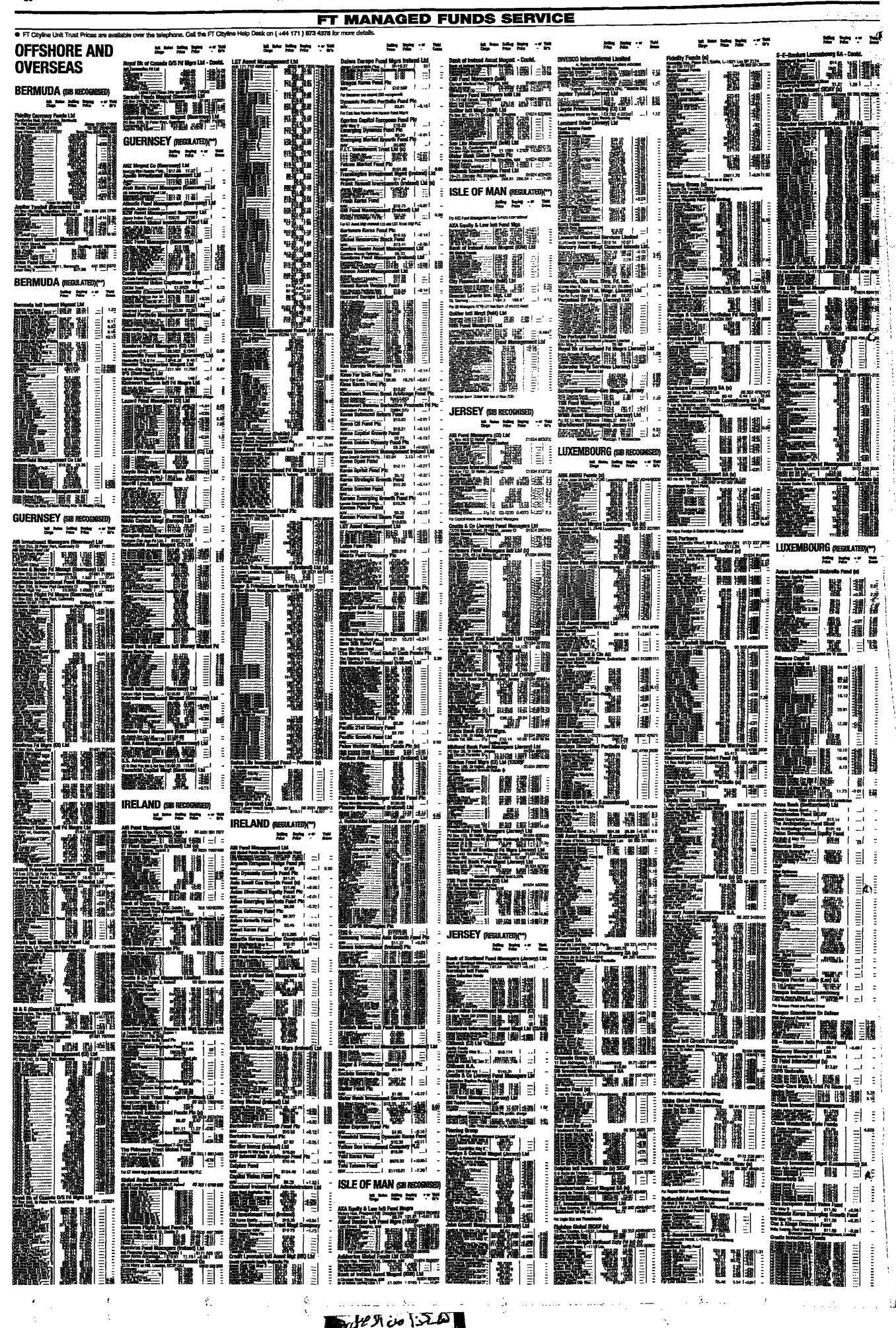
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FINANCIAL TIMES TUESDAY MAY 14 1996 29 FT MANAGED FUNDS SERVICE phone. Call the FT Cityline Help Desk on ( +44 171 ) 873 4378 for more details. Selling States or Year Police Print Satise Deploy our Visit Mice Price - Grant Spilling Beging out 1546 Price Price Greek 3824 | 13821 regulary letti Magel P. Landyo J. Landyo an Estata Fosida mi renobesa politica protection of the control o 198: 398 翻辑 E1133 95 £98.26 :\_} **能能 都觀復** In Capabi Wortshide Wgd.

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0 ·.**9**  MARKET REPORT

# Shares depressed by shift of stance in utilities

By Steve Thompson **UK Stock Market Editor** 

UK shares were dealt a serious blow by the Ofgas report into price controls at Transco, the pipelines subsidiary of British Gas. A much harsher than expected review of Transco tariffs stunned the stock market, which immediately chopped its quotations for Gas shares and prompted widespread unease across the utilities sector.

Such was the impact of the regulatory moves against Gas that analysts were forecasting a halving of the Gas dividend and warning domestic and international investors about the outlook for privatisation issues. "This is a terrible advert for Railtrack," said one utilities analyst.

Haunted by the Gas news, the UK market was always struggling to make headway and the FT-SE 100 index eventually ended the session a net 15.2 lower at 3,739.2, near to its low for the day. Second line stocks were more resilient but could not ignore the implications of the Ofgas report, which affected the other utilities. The FT-SE Mid 250 index settled 0.4 off at 4.512.4

The daunting news about British Gas cast something of a shadow across the market. Dealers said the FT-SE 100 had earlier kicked off in relatively good heart, lifted by the prospect of more takeover activity across many sectors and also by the excellent showing by Wall Street on Friday evening. Then, the Dow Jones Industrial Average closed with a 43-point advance.

But the niggling absence of any of the rumoured bids, especially in the engineering and insurance sectors. where Lucas and Sun Alliance were seen as prime takeover targets, plus the unhappiness surrounding British Gas, quickly took hold and saw UK share prices begin to wilt.

The build-up of downside pressure on Gas gnawed away at sentiment in London and the withdrawal of any support across the market saw the Footsie fall back sharply

before edging off the bottom just for crucial data on unemployment, before the close of trading.

Earlier, the market had to contend with the lack of any bid news, which was only partly offset by confirmation that Standard Life, the mutual insurer, was looking at selling on its 32.5 per cent stake in Bank of Scotland, a story that first circulated around a month ago. Lucas, Sun Alliance and the rest

of the insurance sector had been targeted as potential takeover stocks at the end of last week. The first of a long list of economic data this week, producer prices,

both input and output, had little impact on gilts or equities. Dealers were bracing themselves, however,

earnings and inflation figures in the UK due later this week.

In the US, there are retail sales, inflation and industrial production numbers due in the next three days. Turnover in equities had reached 676.9m shares by 60m, with non-FT-SE 100 index stocks only just eclipsing the leaders and accounting for 52 per cent of the total. Customer business on Friday was val-

ued at £1.97bn. It was not all bad news for the market, however. A handful of the leading retailers came in for keen support, notably Next and Burton, both of which are due to report to shareholders later this week.



FT Ordinary index FT-SE-A Non Fins p/e -0.4 -6.0 3749.50 FT-SE100 Fut Jun FT-SE-A 350 1897.1 FT-SE-A All-Share 10 vr Gilt vield FT-SE-A All-Share vield 3.75 Gas Distribution Banks: Retall ...... Electronic & Elect Equip Oil Exploration & Prod

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### Regulator blues hit Gas

It was a day of black superlatives for British Gas. Shares in the utility recorded one of their biggest ever oneday falls. The slide of 27 to 2010 took them to their lowest level for six years and accounted for half of the fall in the FT-SE 100 index.

Turnover came close to 100m shares - the heaviest since privatisation at the end of 1986. It was boosted by more than 42m shares dealt at 180p a share at the close.

The late deal represented more than 1 per cent of the company's equity and could only have been carried out by one of the top 15 shareholders. It could have been a tax-related operation but could also have been related to a large position taken in the options market recently. At the time it was thought that Mr George Soros had taken a view on the potential recovery of the shares.

Volume was further boosted by the equivalent of nearly 10m shares in the form of traded options, as analysts cut dividend forecasts.

Ms Irene Himona, the SGST analyst who floated the idea of a dividend cut late last year, summed up the stark situation. "Shareholders have lost half their capital in the past year and now they are about to lose half their income.

The cause of all this mayhem was a savage reduction from the official regulator of the prices that the company can charge to supply gas via its TransCo pipeline business.

And the initial shock was felt not by the 1.5m-plus small shareholders, but by the big income funds which bailed out of the stock on the realisation that the dividend is only going to go one way.

Ms Himona's analysis that

the dividend will be halved is based on the worst case scenario presented by Ms Claire Spottiswoode, the regulator, which would lead to an estimated loss of revenue of £900m and a dividend of 7.2p. That dividend compares with 14.5p at the moment.

However, even the best case scenario, leading to an estimated £600m revenue loss, is really not much better. On Ms Himona's number, the dividend then tumbles by a third

### BoS bid buzz

Bank of Scotland shares gave some support to a faiter ing market, which spied the next takeover candidate.

An announcement from Standard Life that it was considering the sale of its 32 per cent stake in BoS was seen as putting the latter in play.

One analyst commented: Bank of Scotland says it has an amicable relationship with Standard Life. But Standard has a duty to get the best price for its shareholders. It does that by selling to one party and that party is likely to be a potential bidder." Interested parties could include a big player, such as

HSBC, making an outright bid, or a smaller operation, such as Abbey National, going for a

merger. Specialists believe that, although possible cost savings are not significant, a bidder could afford to pay between 300p and 350p per

share. Bank of Scotland jumped 14 to 2521/ap, HSBC 8 to 963p and Abbey National 6 to 562p

### Caradon lower

Building materials leader Caradon had another eventful session, with sentiment looking very ragged ahead of today's annual meeting.

The group is heavily geared towards the refurbishment side of the trade and doubts about volume trends were rife among dealers yesterday. Down 9 on Friday, the shares dipped a further 3 to 224p in above average turnover of 4.2m.

Timber specialist Mever International rose 11 to 448p on weekend press stories that builders merchants rival Wolseley was lining up a takeover bid. Wolseley lost 3 at 458p.

Initial investor enthusiasm for a missile link between British Aerospace and Matra of France, waned as the day wore on and BAe, up 16 at one stage, closed 11 ahead at 874p.

Analysts cautioned that the ioint venture faced a number of tests before agreement in principle could be turned into a done deal. The deal involved BAe, the junior partner, in a cash payment of up to £110m. and was dependent on a Ministry of Defence order.

T&N fell to the bottom of the FT-SE Mid 250 rankings following unfavourable news from the US on asbestos litigation. The stock ended off more than

7 per cent, tumbling 13 to 162p. Transport leader British Airways moved against the market trend, adding 6 at 535p in above average trade of 3.9m. The driving force looked to be weekend press coverage

### FINANCIAL TIMES FOURTY INDICES

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	May 13	May 10	May 9	May 8	May 7	Yr ago	"High	LOW
Ordinary Shere	2794.5	2812.6	2784.5	2772.0	2796.4	2514.0	2885.2	2696.7
Ord. div. yield	3.98	3.96	4.00	4.02	3.98	4.22	4.06	3.76
P/E ratio net	16.42	16.48	18.35	16.26	18,41	18.40	17.25	15.96
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Rises and fails"		52 Week highs #	and lows	LIFFE Equity option	P\$
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Total Falls	478	Total Lows	18	Caits	18,064
Same	1.537			Calls Puts	27.751
May 13 'Data base	ed on For	ity shares ësteri re	the Loude	n Share Service	_ •

pointing to a possible merger between BA and American Airlines. There has been plenty of talk about break-through marketing deals in the US for BA, but an outright merger looked to be a new twist on the story. Airports group BAA dipped 4

for April Pearson gained 13 at 712p on press stories that it is poised to float its television interests. Pearson declined to comment.

to 532p after the announce-

ment of subdued traffic figures

In the breweries, pubs and restaurants sector, Wolverhampton & Dudley rose 8 to 692p after publication of a fiveday delayed trade, according to an analyst, J.D. Wetherspoon fell 10 to 935p, with some modest profit-taking, while Harry Ramsden's, the fish and chip chain, leapt 38 to 418p, tempting bid speculation. Marketmakers said the sector was

fairly lively and there was a shortage of stock. Whitbread nudged up 3 to 745p on media reports that it was near to securing a long term licensing agreement with Labatt's, the Canadian brewer. Bass moved forward 6 to 790p on the back of the reports, although analysts had widely varying explanations of how the changes at Whitbread

Allied Domecq rose 2 to 502p on the eve of its interim results. However, NatWest Securities warned that short-term expectations may be overoptimistic.

would affect the industry and

Bass in particular.

SBC Warburg moved from "buy" to "hold" on conglomerate Charter and the shares came off 9 to 963p. Worries about the book-to-bill ratio for US semiconductors were said to have unsettled Cookson Group, which fell 5 to 306p. Hotels, property and leisure

group Stakis hardened 2 to 110p, following the news that the company had bought Livingwell Health and Leisure,

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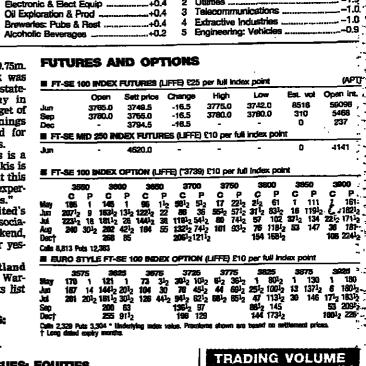
health club sector, for £19.75m. Sentiment in the stock was further enhanced by a statement from the company in which it reiterated its target of 15 per cent annual earnings

growth without the need for further major acquisitions. One analyst said: "This is a very good acquisition. Stakis is already in health clubs but this will give the company exper-

tise and new opportunities. After Manchester United's victory in the Football Association cup final at the weekend. the shares were in favour yesterday, gaining 7 at 347p.

Royal Bank of Scotland dipped 6 to 520p as SBC Warburg took the stock off its list of recommendations.

MARKET RÉPORTERS: Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.



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FT-SE Mid 250 ex inv Trusts	4554.9		4555.1			3621.7	3.41	1.81	20.21	82.94	1826.
FT-SE-A 350	1897.1			1892.2			3.83	2.06		35.85	
FT-SE-A 350 Higher Yield	1826.1		1833.3		1808.6		5.09	1.90		43.39	
FT-SE-A 350 Lower Yield	1975.5			1971.3			2.68	2.33		28.59	
FI-SE SmallCap	2228.52			2220.30			2.91	1.78		24.68	
T-SE SmallCap ex Inv Trusts	2226.99			2217.21			3.07	1.87		25.79	
T-SE-A ALL-SHARE	1882.84			1877.75			3.75	2.04		34.39	
		~	.000.00	-011.70	لكيوان	1023.10	3.73	2.04	10.32	34.38	1592
FT-SE Actuaries Ali-	SHAFE	Dav's				Vaca	D*-	N		·	_
	14 12		14 45	M 0	ы с	Year	Div.	Net	P/E	Xd ad	
	MEY 13	chge%	May 10	MEA A	May 8	<b>ago</b>	yield%	COVER	ratio	ytd	Retu
10 MINERAL EXTRACTION(24)	3455.42	-0.6	3474.70	3475.58	3415.57	2680.78	3,77	1.80	18.42	78.92	1488
12 Extractive Industries(6)	4612.70			4714.86			3.50	2.50		109.19	
15 Oil, integrated(3)	3448.44			3463.45			4.01	1.68	18 54	81.84	1523
16 Oil Exploration & Prod(15)	2482.17			2451.83			2.11	1.60		32.05	1493
20 GEN INDUSTRIALS(275)	2133,48										
				2129.24			3.97	1.66		33,80	1164
21 Building & Construction(34)	1231.44			1237.07			3.34	1.80		18.11	
22 Building Matts & Marcha(29)	1957.32			1956.72			3.87	1.69	19.13		990.
23 Chemicals(25)	2528.84			2531.49			3.91	1.94		37.65	
24 Diversified Industrials(19)	1788.51			1785.48			5.77	1.68		44.82	1002
25 Electronic & Bect Equip(37)	2424.84			2403.84			3.02	1.68		13.45	1251
26 Engineering(71)	2459.40			2454.67			3.11	2.47		28.63	
27 Engineering, Vehicles(13)	3016.73			3024.01			3.53	1_92		48.83	1564
28 Paper, Poky & Printing(28)	2799.82			2780.78			3.63	2.03			1186
29 Textiles & Apparel(19)	1423.39	+0,1	1422.41	<u>14</u> 18.69	1423.12	1647.52	4.98	1.54	16.40	28.70	870.
30 CONSUMER GOODS(BIB)	3480.04		3479,05	3458.46	3453.53	3075.66	4.03	1.85	16.80	74.71	1290
32 Alcoholic Beverages(9)	2871.60	+0.2	2865.54	2634.55	2816.59	2766.63	4.32	1.63			1037
33 Food Producers(23)	2483.69			2481.82			4.17	1.82		55.04	
34 Household Goods(15)	2690.07			2705.12			3.69	2.41			1030
36 Health Care(20)	2104.54			2084.12			2.52	1.88		27.65	1000
37 Pharmaceuticals(12)	4839.62			4807.20			3.52	1.86		91.18	1646
38 Tobacco(1)	4180.38			4154.97			6.08	2.00		156.18	
40 SERVICES(253)	2519.10			2500.32							
40 Bentrices(29) 41 Distributors(32)	2946.50			2937.34 :			2.80	2.03		32.79	1308
42 Leisure & Hotels(23)	3204.95						2.85	1.77	24.74	36.69	1086
43 Media(46)	4228.84			3209.03			2.75	1.95	23.34	141.77	1725
43 Media(40) 44 Retailers, Food(15)	1980.37			4198.69 4 1950.79			211	1.95	30,51	48.94	
44 netaliers, Pologram 45 Retailers, General(43)	2056.83						3.79	232		19.54	
47 Breweries, Pubs & Rest.(24)	3148.25			2038.38 : 3125.16 :			2.94	2.20			1171.
48 Support Services(49)	2385.39			2358.29			3.17	2.08		16.79	1501
49 Transport(21)	2435.40						1,94	2.46	26.28		1504
				2419. <b>9</b> 5			3.57	1.40	<u> 25.04</u>	28,66	1012
80 UTILITIES(3\$)	2419.52			2456.87			5.15	2.05	11.84	46.63	1026
62 Electricity(12)	2829.80			2848,89			4.89	2.55	9.82	137,11	
64 Gas Distribution(2)	1351.58			1466.90			8.87	1.36		64,68	707.
96 Telecommunications(7)	1988.46			2008.48			4.24	1.75	16.79	0.15	900.
88 Water(12)	2125.54	-0.4	2133.18 :	2131.09	2112.51 1	869.26	<u>5.74</u>	2.59	8.42	3.61	1152
9 NON-FENANCIALS(065)	2006.34	-0.4 2	2013.89	2003.71	995.63 1	748.71	3.75	1.93	17.27		1522
70 FENANCIALS(105)											
70 Parks, Retali(8)	2882.27 3890.32			2854.42			4.13	2.63	11.50		1247
72 Banks, Merchantis)				3829.00			4.00	2.89	10.81	107,54	
72 Ganks, Merchampo) 73 Insurance(23)	3542.01			3535.84			2.78	2.38	18.88		1122.
	1503.60			1499.09			5.25	3.15			1139.
74 Life Assurance(6) 77 Other Financial(21)	3606.02			3804.15			4.14	2.24	13.45	100,72	1512
	2667.53			2654.35			3.66	1.62	18.80		1513.
79 Property(41)	1587.85		1571.77	<u> 1571.09 °</u>	<u>1567.59 1</u>	387.50	4.03_	1.32	23.53	13,94	959.6
0 INVESTMENT THUSTS(126)	3221.36		3221.84	3217.46	210.99 2	783.87	2.14	1,06	54.83		1123.
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9 FT-SE-A ALL-SHARE(896)	1882.84		1888.05	1 <u>677.75</u>	8/023	625.18	3.75	2.04	16.32	34.39	1592,
							A 75		60 o-		
T-SE-A Fledgling	1246.20	+0.3	1243.02	1241.48 1	241.59	997.42	2.75	2.18	2U.67	12.59	130
-SE-A Fledgling -SE-A Fledgling ex Inv Trusts	1248.20 1255.44			1241.46 1 1250.22 1			2.75 2.97	2.78 2.36	17.83		1301. 1311.

	Open	9.00	10.00	11,00	12.00	13.00	14.00	15.00	16.10	_High/day	Low/da
FT-SE 100	3751.8	3758.6	3757.0	3759.4	3751.7	3751.6	3741.2	3739.7	3739.0	3760.9	3738.0
FT-SE MMd 250	4514.9	4515.D	4515.1	4515.7	4514.4	4515.0	4512.7	4512,4	45126	4517.0	4511.3
FT-SE-A 350	1902.3	1905.0	1904.4	1905.4	1902.2	1902.2	1897,9	1897,3	1997.1	1906.1	1896.6

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15,00	18.10	Close	Previous	Change
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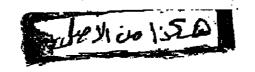
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# **Technology** sector leaps sharply ahead

### **Wall Street**

Technology shares moved higher early yesterday while other sectors hovered near to Friday's closing levels as investors awaited key economic data due out later in the week. writes Lisa Bransten in New

The Nasdaq composite was on course to set a second consecutive record high as it strengthened 9.26 points to 1,212,06 in early afternoon trad-ing. The Pacific Stock Exchange technology index was 1.3 per cent ahead. Hewlett-Packard, the com-

puter and computer printer company, and Applied Materials the semiconductor maker both advanced ahead of their quarterly earnings reports due out later this week. HP added \$3% or 4 per cent at \$112 and Applied Materials was up \$14 or 4 per cent at \$39%.

Both Microsoft and Intel, the two largest companies on the Nasdaq, were also stronger. Microsoft climbed \$2% to \$117 and Intel \$1% to \$70%.

Smaller companies were also strong as the Russell 2000 small-cap traded in record territory with a gain of 1.64 at

Trading on other indices and in the bond market was lacklustre ahead of today's release of figures on retail sales and the consumer price index, but the vield on the benchmark 30year Treasury bond remained below 7 per cent in early

At 1 pm the Dow Jones Industrial Average was 11.26 stronger at 5,529,40, the Standard & Poor's 500 rose 2.84 to 654.93 and the American Stock Exchange composite gained 3.31 at 594.64. Volume on the NYSE came to 198m shares.

Mexico City was modestly firmer at midsession as the market consolidated last week's 2 per cent gain. The IPC

index was up 20.02 at 3,236.16. SAO PAULO gained ground as the market awaited important congressional votes later IPSA index reflected upon a this week. The Bovespa index was ahead 1.6 per cent at 54,336

Value let slid \$4% or 24 per cent to \$13% in the wake of Saturday's crash of one of the airline's DC-9s in the Florida Everglades. An analyst at Alex Brown & Sons downgraded the shares to "neutral" from "strong buy", citing worries that the discount carrier could lose passengers due to negative publicity stemming from the

Healthsource lost \$71/4 or 22 per cent at \$24% after the health maintenance organisation (HMO) reported weaker than expected first-quarter earnings. In the last quarter, Healthsource earned 22 cents a share, 3 cents below the mean estimate from analysts.

Toronto overcame early weakness to trade flat at midsession. However, shares were inhibited by a volatile bond market, hit by renewed concerns over Quebec, after the Canadian government said last Friday that it would intervene in a court case challenging Quebec's right to secede uni-

Quebec's separatist government said that one option was to call a snap election and Mr Lucien Bouchard, the Quebec premier, held an emergency cabinet meeting to discuss

The TSE-300 composite index was just 0.39 higher by midday at 5.177.20 in volume of 41.9m

shares. Banks were heavily traded. Royal Bank of Canada rose 30 cents to C\$33.25, while Toronto-Dominion Bank jumped 40 cents to C\$24.05.

Bre-X Minerals rose C\$11 to C\$212. The Calgary-based group said last week that shareholders had approved a 10-for-one stock split

# Mexico up modestly

by noon, BUENOS AIRES was searching for inspiration amid a dearth of corporate news.

MARKETS IN PERSPECTIVE

The Merval index had gained 2.57 by midsession at 572.85. In SANTIAGO the situation was much the same as the good rise since April. The index was down 0.66 at 101.00.

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Belgium	-0.80	+0.05	+13,76	+4.90	+0.39	-1.5
Denmark	-0.34	+1,55	+14.12	+8.66	+4.31	+22
Finland	-2.01	+6,78	+1.50	+8.71	+1.99	+0.0
France	-0.21	+2.01	+8.35	+15.24	+11.24	+9.0
Germany	+0.18	-2.39	+16,73	+7.40	+2.80	+0.8
meland	+0.99	+4.76	+27.71	+11.55	+11.35	+9.2
Italy	-1.11	+7.97	-0.55	+10.02	+14.09	+11.8
Netherlands	+1.09	+2.23	+28,49	+13.88	+9.25	+7.1
Norway	-1.53	+1.55	+13,41	+10,16	+8.34	+6.2
Spain	-0.13	+3.44	+22.44	+11.76	+8.51	+6.4
Sweden	+0.42	+4.14	+26.96	+13.42	+13.03	+10.8
Switzerland	-1.22	-0.34	+33.36	+7.57	+1.47	-0.5
UK	+0.07	-0.11	+14.51	+2.79	+2.79	+0.8
EUROPE	0.11	+0.86	+16.60	+7.78	+5.44	+3.4
Australia	-1.56	+0.58	+9.11	+1,61	+11.92	+9.7
Hong Kong	-1.29	-2.38	+19,72	+7.58	+9.66	+7.5
Japan	-1.80	-1.29	+22.89	+3.63	+3,47	+1.4
Malaysia	-2.24	+0.90	+19.24	+14.64	+19.31	+17.0
New Zealand	-1.16	-0.86	-3.82	-2,60	+4.97	+2.9
Singapore	-1.38	-3.20	+14.48	+4.67	+7.43	+5.3
Canada	+1.44	+3.32	+20.72	+10,38	+12,32	+10.1
USA	+1,48	+2.52	+23.90	+5.86	+7.94	+5.8
Mexico	+0.95	+0.06	+51.66	+16.66	+23,05	+20.5
South Africa	-2.02	+2.70	+21.67	+10.96	-5.50	-7.3
WORLD INDEX	+0.09	+1.02	+20.90	+6.07	+6.42	+4.30

FT/S&P ACTUARIES WORLD INDICES

Pound Sterling Index

| Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Inde

336.87 228.86 179.35 226.30 256.99

236.81 202.25 288.42 165.60 180.76 252.78 184.26 282.33 181.93 203.51 234.88

US Dollar Index

.175.79

Medico (18)..... Netherland (19)

New Zealend (15). Norway (33)...... Singapore (44).... South Africa (45)...

Europė (714)..... Nordio (134)..... Pacific Besin (832) Euro-Pacific (1546

Spain (37).... Sweden (48)

# Strong \$ helps Frankfurt to make good progress

Dollar strength and a generally optimistic mood helped FRANKFURT ahead. The Dax index rose 27.39, or 1.1 per cent. to 2,496.17, but just failed to breach the 2,500 level. In the Ibis, the market closed at

Veba was among the best performers, hitting an all-time high of DM78.80 before falling back to DM78.55, up DM2.58. and to DM78.95 in the Ibis.

Volkswagen, ahead DM2.75 at DM533.25, recovered from a pre-bourse fall, after the manufacturer announced on Saturday that it was taking defamation action against General Motors, of

the US. PARIS was nervous and the CAC-40 index ended the session off 13.95 at 2,100.85 in turnover of FFr3.8bn.

There was plenty of interest in Valeo, as news emerged that TRW, of the US, was a front-runner to buy the 28 per cent stake held by Cerus, a company controlled by Mr Carlo De Benedetti of Italy. Valeo put on FFr9.80, or 3.5 per cent, at FFr291.40, after a session high of FFr295, while Cerus added FFr5.10 at FFr101.

it might sell its stake in Suez at a discount: BNP moved down FFr4.20 to FFr202.60. while Suez lost FFr3.60 to FFr205.50. Eurotunnel, up 25 centimes,

or 3.8 per cent, to FFr6.75, was in the ascendant as hopes rose that President Jacques Chirac. on a visit to the UK today, might ask Prime Minister John Major for an extension of the Channel tunnel operator's 65year licence.

Lagardere moved ahead FFr1.90 to FFr135.50, as it was announced that it had agreed to form a missiles joint venture with British Aerospace. According to Lagardere, the new company, to be known as Matra BAe Dynamics, would be Europe's biggest missile

AMSTERDAM was steady as the AEX index put on 0.76 at 555.67, off a high of 558.34. ABN Amro made another 30 cents to F188.30 in follow-up buying, which followed last week's news that it was merging its equity capital operations with Rothschild.

There was enthusiasm in Tulip and Volmac, after PTT

FT-SE Actuaries Share Indices THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Close Housey changes FT-SE Burghack 100 1668 05 1659.36 1665.22 1667.74 1667.57 1687.67 1667.54 1668.58 FT-SE Burghack 200 1718.89 1718 12 1719.56 1716.60 1717.18 1715.58 1714.66 1714.61 May 9 May 8 Way 7 1654.66 1699.30 協議為 1652.44 FT-SE Eurotrack 200 1706 91

said that it would intensify computerisation of telephone to Zurich. billing: Tulip climbed Fl 1.10 to FI 18.10 and Volmac FI 1.40 to

ZURICH was flat as the market's recent declines and this week's economic data from the US weighed on prices, although last week's selling pressure subsided. The SMI index edged up 0.9 to 3,557.8. Roche certificates rose SFr25

to SFr9.465 as CS Research. which forecast further increases in profits this year and in 1997, recommended overweighting the shares. Zurich Insurance was SFr5

higher at SFr333 in response to Friday's better than expected 1995 results and on buy recommendations. Wintertnur fell SFr13 to SFr752, with some investors said to be switching

MILAN was higher in response to a firmer trend in domestic bonds and the lira. and on expectations that a new government would be formed by the end of the week. The Comit index rose 6.53 to 663.39. while the real time Mibtel index turned back from a day's high of 10,628 to finish 27 ahead at 10.570.

Montedison jumped to an early L983 on a report that a to 19 per cent of the shares was pushing for the break-up of the company to release shareholder value. The shares finished L31.2 higher at L969 after the managing director said that the group intended to remain in its current form.

after last week's disappointing results from SAI, down 1582 at L15,983. Generali fell L232 to L37,946 and RAS was marked

down L119 to L17,094. OSLO was helped by a stronger oil price, as well as a good performance from Hafslund Nycomed, the pharmaceuticals company, which put on NKr7 at NKr184. The All-share index edged up 0.3 per cent to 821.06

in turnover of NKrlbn. Hafslund was popular on reports that the annual shareholders' meeting might approve a proposal for the group to be split into two companies, one concentrating on energy and the other on pharmaceuticals, both of which could be vulnerable to take-

Kvaerner retreated NKr10 to NKr247 owing to a strike by shipyard workers, the first in 70 years. The strike was announced after members of the United Federation of Trade Unions rejected a wage agreement with employers. STOCKHOLM edged lower

on a day in which trade was dominated by a SKr1.5 advance to SKr303 in Astra, the drugs

group. The Affärsvärlden gen-eral index slipped 5.0 to 1,953.3. but turnover was inflated by technical trade aimed at reduc-

ing tax on dividends. The forestry sector was broadly lower, the sub-index falling 1.1 per cent. MoDo lost SKr4 to SKr355 but AssiDoman edged up SKr0.50 to SKr164-in

heavy trade. Skandia, the insurer, rose SKr0.50 to SKr164 after - it announced a doubling in first-

quarter profits. HELSINKI ended higher, helped by firm bonds and stronger US stocks in early dealings, and the Hex index picked up 6.24 to 1,946.97. Nokia came off lows to close

FM2.60 down at FM167.90. matching a higher opening on Wall Street. Raisio reached another all-time peak of FM214.00, up FM14.00, in further response to reports about its Benecol margarine. Finnlines hit an 11-month high at FM95.50, up FM3.50, after becoming Swedish Bilspedition's largest owner with a 23.7 per cent stake last week.

Morgan and John Pitt

### **ASIA PACIFIC** Nikkei loses ground as Hong Kong rallies 1.4%

Lingering worries over interest rates depressed shares and the Nikkei 225 average finished 1.2 per cent down, writes Emiko

Terazono in Tokyo. The Nikkei lost 248.30 at 21.171.82 after moving between 21,170.72 and 21,504.02. While shares rose in the morning thanks to the dollar's gain against the yen, most investors remained inactive, prompting arbitrage unwinding in the face of a decline in futures

The Topix index of all first section stocks fell 14.82 to 1,643.10 and the Nikkei 300 shed 2.78 to 303.13. Losers led gainers by 821 to 246, with 166 issues unchanged

Volume was 330m shares, against 464m. Although foreign investors picked up some shares which were hit by arbitrage unwinding, many stayed away. Traders said there seemed to be a recent lull in activity by foreign investors, who have been leading buyers from the start of the year. In London the ISE/Nikkei 50

index put on 3.08 at 1,426.19. lower in spite of the yen's fall. Toshiba dipped Y9 to Y777 and

Oki Electric Y17 to Y773. Speculative stocks fared well: Copal, a camera shutter maker, rose Y54 to Y904 and Kanematsu-NKK surged Y260 to Y4,740. Profit-taking hit Nagasakiya, off Y23 at Y787.

Large-capital steels and shipbuilders fell on active trading. Nippon Steel, the day's most active issue, lost Y6 to Y357. Mitsubishi Heavy Industries eased Y6 to Y902.

Financials declined on interest rate concerns. Industrial Bank of Japan shed Y20 to Y2,700 and Sakura Bank Y40 to In Osaka, the OSE average slipped 143.93 to 22,980.60 in volume of 25.6m shares.

### Roundup

Lower than expected US producer prices, announced last Friday, spurred HONG KONG 1.4 per cent higher although trade remained very thin. The Hang Seng index gained 148.27 at 10,746 in turnover down to another year low of HK\$2.9bn. Analysts said the Sino-US copyright protection talks which began yesterday aimed at averting mutual trade sanc-

tions added to market lethargy. but the consensus was that another eleventh hour compromise was likely. The property sector rallied as strong housing sales over

the weekend boosted sentiment. Sun Hung Kai Properties, which sold out all of the 640 units it offered at a Shatin development, climbed HK\$1 to HK\$73.50. Cheung Kong rose HK\$1.25 to HK\$52.75, as did Henderson Land to HK\$53.25. SINGAPORE was boosted by late demand for blue chips and the Straits Times Industrial

index moved forward 15.22 to Among actively traded shares, Singapore Telecom picked up 6 cents to \$\$3.54, on

demand prompted by the stock being included in the MSCI index soon. ST Automotive foreign led the losers with a 26-cent drop

to S\$3.52 after recent gains. SYDNEY saw a decline in mining stocks offset by gains across other sectors. The All Ordinaries index ended off 0.5 at 2,256.9. Turnover was 308m shares valued at A\$643.5m.

One of the main features was a revised takeover offer by Mobil, of the US, for Ampolex which left the latter up 29 cents at A\$4.64. The new offer

### S African industrials recover

Johannesburg was mixed, with industrials supported by a turn in sentiment but off their best intra-day levels and golds easier on a softer bullion price. The overall index ended 48.8 up at 6,794.2, industrials advanced 92.3 to 7,913.4 and golds declined 14.5 to 1,986.8.

Gross Div. Yield

1.0 0.6 0.9 0.5 0.0 1.1 0.5 0.3 0.1 0.5 0.8

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2.20 3.05 2.31 1.15 2.04 2.21 2.49 2.97 2.05 1.92 2.54

0.3 205.57 140.58 197.36 180.45 0.5 2.11 210.43 204.62 139.38 165.94 179.58 214.52 181.82 188.26

Local Local Currency % chg Index on day

| Index | Inde

161.95 192.60 204.25 161.95 192.60 204.25 138.31 164.66 183.12 197.24 234.81 250.57 113.25 134.82 116.00 123.62 147.16 141.41 172.87 203.60 256.52 126.01 150.01 157.70 193.06 229.86 248.74 124.42 145.12 145.67 139.18 165.66 175.82 180.81 191.21 228.61

De Beers added R2 at R144.25, SA Breweries rose R2.75 to R118.50, Anglos was R5.75 ahead at R284 and Richemont put on R2 at R62. Iscor dipped 24 cents to R3.49 on news that results for

the second half would be substantially lower than expected.

Local

| Dollar | Starling | Yen | Index | Index | High | Low | Express |

263.10 259.06 174.20 207.47 263.10 266.11 212.45 214.67
240.68 234.26 159.36 189.79 202.31 245.54 195.09 196.88
267.13 201.60 137.14 163.33 182.10 211.35 181.77 187.46
283.84 265.80 194.42 231.55 258.38 297.60 241.98 248.67
171.55 166.98 113.59 135.28 116.53 177.01 148.86 169.05
186.28 161.29 123.33 146.88 141.39 190.57 168.51 176.82
256.08 250.01 170.07 202.56 256.20 262.26 267.93 200.83
189.01 183.97 125.15 149.05 156.87 182.67 163.36 170.87
290.15 262.41 162.11 228.80 249.43 298.68 243.59 246.42
187.27 182.28 124.00 147.68 145.80 191.55 167.36 177.08
208.37 202.81 137.98 156.31 174.99 212.60 179.23 188.08
239.38 233.00 156.50 188.77 227.02 242.33 201.25 204.48

of A\$4.64 for each ordinary	close 3.90 up at 1,163.96.
share and AS4.66 for each pref-	Proton jumped M\$1
erence share values the com-	MS13.70 in late trade o
pany at A\$1.78bn, up from	gram buying amid rumo
ASI 64bn, and has the backing	strong results helped

of the Ampolex board. TAIPEI was beset by profittaking after financial issues had surged in early trading. The early rally had been driven by reports that a government fund would begin buying shares to boost the market ahead of the May 20 inaugura-

tion of the president.

The weighted index eased 18.58 to 6,127.19, after profittakers began selling financial and construction issues when government buying failed to

KUALA LUMPUR gave up an early lead to close mostly lower as investors locked in profits on continuing concerns about the market's near term direction. However, demand for some index blue chips enabled the composite index to on pro-

strong results helped by a Land & General feli 35 cents to M\$6.20 on news it is selling its 19.99 per cent stake in the brokerage Rashid Hussain, which had been contributing 25 to 30 per cent of Land & General's annual pre-tax

earnings. SEOUL was higher on demand for construction and financial shares, and the composite index, which ran into profit-taking pressure late in the session, ended 8.09 ahead

at 978.73. The construction sub-index rose 2.5 per cent, boosted by the prospects of rising demand for infrastructure construction. Poong Lim Industrial went limit up, gaining Won800 to Won14.900, and Daelim Indus-

trial also rose to its daily

limit of Won17,100, up Won900. Several financial shares also went limit up on rumours that South Korea's major business groups were seeking to take over their managements. The financial sub-index moved forward 1.7 per cent.

BOMBAY finished higher as Tisco and Telco recorded sharp gains in a no-delivery period ahead of their book closure. But analysts noted that most foreign funds had stayed on the sidelines as political parties scrambled to garner the majority required to form the next government. The BSE-30 index firmed 56.85 to 3,751.24.

Rs18 to Rs172 on improved results for 1995-96. MANILA saw few gains as most investors became cautious following last week's steady rise. The composite index put on 5.62 at 3,117.05. PNB strengthened 12.50

pesos to 422.50 pesos as for-

Shares of ITC Hotels shot up

eign investors took an interest BANGKOK moved modestly higher, with most investors awaiting first-quarter results due during the course of the week. The SET index rose 1.98 to 1.324.50 in volume of 94.5m

shares worth Bt6.8bn. In addition, the prospect of a cabinet reshuffle made local investors cautious.

The banking sector rose 0.5 per cent. Bangkok Bank, the country's largest commercial bank, added Bt4 at Bt252 on volume of 1.5m shares. JAKARTA saw selective buy-

ing by foreign funds and profittaking by local investors in second-line stocks. The JSX index moved up 2.21 to 621.49. Turnover was Rp199bn. COLOMBO slipped at the

close as foreign buying eased and late local retail selling trimmed early gains in the financial sector. The Alashare index lost 1.8 to 653.4 as turnover dropped to SLRs10.2m.

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The European Court of Justice has ruled that recommendations issued by the European Commis-EUROPEAN sion under the COURT European Coal - and Steel Commu-

nity Treaty may be relied on by individuals before national courts where their provisions are unconditional and sufficiently precise. This ruling followed complaints to the Commission by independent coal producers in the UK concern-ing the purchase of coal by the Central Electricity Generating

Board and its successors, National Power and PowerGen. Most of the coal required for electricity generation was purchased from British Coal. However, some was purchased from independent producers. These additional supplies were bought on different terms, and the independent producers alleged this was contrary to European law

a dominant position. The Commission dismissed the complaints relating to the period eter the generating board had ceased to purchase coal, but made no finding with regard to the ear-

because it constituted an abuse of

The plaintiffs brought an action in the English High Court for damages against National Power and PowerGen for the period 1985-90. The claim alleged the two electricity generators had discriminated against them in purchasing coal on terms less favourable than those offered to British Coal.

The High Court stayed the proceedings and referred certain questions to Luxembourg. The European Court had to decide first which treaty was relevant to the case - the European Coal and Steel Community Treaty or the Treaty of Rome.

It reiterated that the extraction of unworked coal fell within the scope of the former and found that the plaintiffs were engaged in coal production within the territory of a member state within the meaning of the same treaty. By contrast, the generators were not engaged in such production and did not fall within its relevant pro-

Insofar as the relevant provi- 1996. sions applicable to the purchasing practices were concerned, although the European Court's

jurisprudence demonstrated that Rome treaty rules could be applicable to products covered by the coal and steel community treaty in the present case the alleged discrimination fell wholly within the scope of the latter.

In particular, the European Court noted the Commission was empowered under that treaty to make appropriate recommendations to member states when it found that discrimination was systematically practised by purchas-

It ruled that the treaty covered situations in which the discrimination alleged was to the detriment of coal producers covered by the treaty even where the purchasers were not so covered.

It further ruled that these provisions provided victims of such discrimination with effective legal protection. The Commission could not only prohibit any unlawful conduct found to exist, but also draw all the consequences as regards the effect such discrimination could have had as between producers and purchasers, even before the Commission had taken action. It was thus clear that the coal and steel community treaty's provisions constituted the relevant legal framework.
The European Court then

turned to the question of whether the Commission recommendations were of direct effect and could be

relied on in national courts.

The relevant provisions of the treaty did not permit individuals to contend before national courts that any alleged discriminatory behaviour was contrary to the treaty rules before the Commission had made a recommendation on the behaviour.

However, once a recommenda

tion had been made, if its terms were unconditional and sufficiently precise, then those terms could be relied on directly by individuals before the national courts. Finally, it said that Commission decisions relating to complaints were binding on the national courts, but that the courts could still request the European Court to rule on the validity or interpre-

C-18/94: Hopkins v National Power and PowerGen. ECJ 6CH. May 2

tation of such decisions.

BRICK COURT CHAMBERS BRUSSELS

### n spite of the High Court's endorsement last week of the UK government's position on value added tax on company cars, the battle by UK businesses to recover billions of pounds in VAT looks set to continue

The companies claim the govern-ment has collected the tax illegally on the purchase of such vehicles

Now the court's dismissal of an application by Allied Domecq, the food group. Royscot Leasing, the car-leasing arm of the Royal Bank of Scotland, and TC Harrison Group, the car dealer, for their cases to be referred to the European Court for clarification of the law. has left legal advisers and accountants "astonished".

Their reaction stemmed not so much from the fact they had lost out from the nature of the court's judgment and its assertion that it could decide with "complete confidence" a point of European law that is at present before the European Court of Justice in infraction pro-ceedings brought against France by the European Commission.

"If the court is right, it must mean the proceedings against the French government will fail and the arguments raised by the commission are doomed to failure," said Mr Andrew Thornhill QC, counsel for Royscot and Allied Domecq. The source of the companies'

complaint is a Customs "blocking order" that prevents them recovering VAT paid on cars bought for business use since 1973. They claim the ban is incompatible with the Second and Sixth European VAT directives, the principal measures for harmonisation of VAT in the European Union.

Under those directives, businesses that make goods and provide services subject to VAT are allowed to deduct the VAT or "input tax" payable on goods and services that they buy in. If they were not allowed to make such a deduction, then the tax would be built into the cost of the businesses's own goods or services and would be passed on to the consumer, who in effect would be paying VAT at at least twice the normal rate.

That double taxation is contrary to the principles of the two European directives, according to Mr Dominic Taylor, a VAT expert at Ashurst Morris Crisp, City solicitors acting for Royscot and Allied

However, recognising harmonisation of the VAT regime within the EU would take time to achieve, the directives left room for member states to exclude "certain goods and services" from the deduction system. This applied particularly to those capable of being exclusively or partially used for the private eds of the taxpayer or its staff. Because of the difficulties of

# Drive goes on to recover VAT

The latest judgment on company cars has not settled the issue, write Robert Rice and Jim Kelly



determining with accuracy the proportion of private use of business cars to be taxed, the UK government decided in 1973, when VAT was introduced, to use that exemp tion to impose an order blocking recovery of tax as the simplest way of taxing private motoring.

For years UK companies assumed the blocking orders were valid and could not be overturned. But in 1992 the car-leasing companies, already at a disadvantage to continental European rivals which are allowed to deduct the input tax on cars bought for leasing, made a com-plaint to Brussels. Their case was that, as there was no possibility of cars bought for leasing purposes being used by a leasing company for private use, they should be allowed to recover the tax. Cars for leasing were also "essential tools of the trade".

The leasing companies were joined by other businesses that felt they should be entitled to recover a proportion of the VAT on company cars relating purely to business use. Motor traders also argued they should be able to recover tax on demonstration models. More than 5,000 British busi-

nesses have now lodged claims with the VAT tribunal. But last July the three test cases brought by Royscot. Allied Domecq and TC Harrison were turned down by the tribunal. It rejected their claims for repayment in spite of a change in the rules in last year's Finance Act to allow car-leasing companies to recover tax on vehicles bought for leasing from August 1995 - a move suggesting that in respect of carleasing companies, at least, the goveroment accepted it was unlawful

The three companies appealed to the High Court, offering a number of arguments as to why the VAT tribunal had been wrong to refuse to refer the issue to the European Court. First, they maintained the question of the compatibility of the UK's orders with the Second and Sixth VAT directives was not clear. Second, they argued the case should go to Europe because of the importance of the issue. There were

to block recovery of input tax.

large sums at stake - Customs and Excise has estimated up to £25bn in back tax and interest - and a large number of appeals by other companies rest on the outcome Third, they argued the case

should be referred because the European Court has yet to give a definitive judgment on the scope of exceptions to the general principle in the directives that companies may deduct VAT on goods and services bought in. And fourth, they said the case

should be referred because the European Commission has taken an interest in the issue and has issued an opinion that the Sixth directive does not authorise member states to make an exception to the right to deduct VAT in respect of goods that are "tools of the trade".

The commission has taken infrac-

tion proceedings against France in the European Court for blocking the recovery of VAT on a car bought and used by a driving instructor. The High Court rejected all these arguments. Mr Justice Turner gave the broadest possible interpretation to the terms of the two directives dealing with exclusions to the gen-

eral principle of deduction. He said: "The terms of the exclu-sion are not concerned with the use to which the taxable person intends to put the goods but instead is directed to goods which, by their nature, are capable of being used for the non-business needs of the taxable person. The permitted exemption is concerned with types of goods rather than their actual or prospective use in the hands of the

taxpayer."

The blocking orders are not, and never were, invalid, he said. The companies have found that interpretation very hard to accept. Speaking after the decision last week, Mr Taylor said: "Anything has the possibility of private use. They could say they won't allow any deduction on any goods and services and that can't have been

the intended effect of the directive. Mr Peter Sheppard, Royal Bank of Scotland's VAT adviser, was equally surprised by the judgment. The commission was taking France to the European Court on the basis that it was not allowed to block the recovery of VAT on tools of the trade. If that were true in respect of a driving instructor's car, how much more it must be true of vehicles bought for leasing, he said.
"Cars are our tools of the trade. Without them we wouldn't have a

The decision came as a relief to the government. Mr David Heathcoat-Amory. Treasury minister, said: "I am very pleased the court has shared the view of successive governments that it is legitimate to restrict recovery of tax as a simplified way of taxing private use."

Accountants and lawyers pointed out, however, that the actual amount at stake would be considerably less than the £25bn estimated by Customs. The European Court could limit the recoverability of VAT either to the three companies that brought the action or to the 5,000 that have already lodged claims. It could also limit the effect of a judgment in favour of the companies temporarily, allowing them to recover tax only back to 1992, the date when they first lodged an appeal with the VAT tribunal.

For these reasons, accountants are advising other businesses which think they might have a claim to lodge protective appeals with the VAT tribunal as soon as possible.

"If this goes the taxpayers' way, there will be huge amounts involved and there might be some attempt to limit the numbers who can claim," says Ms Penny Hamilton, VAT partner at Coopers &

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tics, ,000 reas

been jus-tion.

Much may depend therefore on the final number of claims lodged with the tribunal. Estimates vary, but Mr Alan Buckett, VAT partner with Binder Hamlyn and national chairman of the VAT practitioners' group, says the total could be as high as 10,000. With the companies almost certain to fight on with an appeal to the Court of Appeal, the government is not off the hook yet.

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computer spots an international terrorist trying to enter the US and alerts officials; smart televisions know exactly what viewers watch through a camera mounted on top of the set; a criminal attempting to use a stolen credit card is caught because the machine does not recognise his face.

All of these scenarios images both comforting and alarming - may soon become reality. Face-recognition technology, long in development, is finally approaching practical application and may soon achieve widespread use.
One of the best systems has

been put together at the Massachusetts Institute of Technology's Media Laboratory, where Alex Pentland has constructed an artificial brain blessed with what is referred to as "visual intelligence".

This summer, the state of Massachusetts will roll out a program based on the MIT system - dubbed Photobook - to identify people who use multi-ple identifications to commit

British Telecommunications. which provides partial funding for the Media Lab work, is developing a security system based on the technology. The US Army is interested in using Photobook for a secure-entry

Kodak and Sensormatic, a large US security firm, have also expressed interest. Pentland has even been called to the White House to explain how his technology could com-

In the future, the program could help find missing chil-dren and provide extra security for ATM and credit card users. Tiny computer cameras that can be mounted on top of the screen for just \$100 (£66) make it possible to use Photobook on the internet to verify identification for electronic purchases and track down online pornographers.

Although the Big Brother aspect may be troubling to



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# 'I know that face'

### Victoria Griffith on a computer system with 'visual intelligence'

some, to others it will provide comforting security.

Some of Pentland's sugges tions for Photobook border on the bizarre. He dreams of a front door camera that announces the identity of the person outside. "Wouldn't it be great if the camera could tell us it's an insurance salesman

outside," he asks. Pentland has also built the prototype of a pair of specta-cles with a tiny camera attached, to whisper the names of people he has already met. That's great for me because I have a bad memory for names," be explains.

The way in which the human brain recognises faces is largely a mystery. In some unknown way, people match hair colour, eye shape, nose size and other information to stored images of friends, family and acquaintances.

Because the mechanism is not well understood, Pentland says, he had no hope of repli-cating it. "Before I did my research, people had tried to teach computers to recognise

faces based on human-like perceptions, such as bushy eye-brows, he says. "But they never had much luck." Pentland instead took a

highly analytical approach to the problem. The computer, he explains, recognises faces not by individual features, but in a holistic manner. To start with, Photobook

breaks the

T'm trying to get image into pixels that make the computer to up an image on recognise not just match can take the screen. The a face, but what pixels represent a simplimood a person is fied version of in or the gestures he a c l he or she is the face, resembling a map of various shades, making' colours and shapes. Photobook's typical

face, for instance, is made up of 16,000 pixels. The computer normalises photographs of people to com-pensate for differences in lighting, distance and other factors. it then selects the facial features that can most easily distinguish one face from another. over the human brain. Photo-Researchers call these features book is less good than humans "elgenfaces". Elgen means "real" or "true" in German. us. Close friends and relatives. for instance, can train their The information is stored; when an image of the person is eyes to distinguish subtle diffed through the program, the ferences in the features of idencomputer compares the eigenfaces to come up with a match. tical twins, for instance. "That's way beyond the capa-

Because the information is digitally compressed to take up less space in the computer's memory, the place within a seconds. Pentland says has achieved

nearly 100 per cent accuracy at seeing through disguises. in tests with "You would probably recognise databases conme tomorrow if you saw me taining 3,000 faces, although walking down the street as I critics say those tests were peram now," says Pentland, a formed under ideal circumbearded redhead. "But if I stances, such as uniform light.

shave my beard, dye my hair Because the computer recogblack and put on sunglasses, you probably wouldn't."

Because the computer regisnises faces in a way completely different from people, it has advantages and disadvantages ters unchangeable features

different faces.

bility of the computer," says

Pentland. "To the program.

identical twins are the same

Yet computers have the ben-

efit of being able to keep a

huge number of images in their data banks. It is beyond

the capability of most humans,

for instance, to match names

to a databank of thousands of

The computer is also better

such as eye sockets, it can usually override a disguise. "Or if it couldn't identify the face definitely, it would at least sug-gest a possible match," says Pentland.

He is now seeking to build a program to recognise faces in even greater detail, creating "eigenfeature" maps in addi-tion to the "eigenfaces". The enhanced capability could prevent terrorists, for instance. from escaping recognition by undergoing plastic surgery.

"The advantage of using the computer for this type of purpose is that there are not that many known terrorists world-wide," says Pentland. "It's the same with drug smugglers there are usually just a few hundred people causing all the trouble, so it's easier to add detail into that sort of a pro-

Sensormatic, one of the companies interested in Pentland's work, says it is looking to develop a product soon using the eigenface technology. We'd use it for access control systems, which would identify people for admission to highsecurity buildings," says Hap Patterson, Sensormatic's R&D

With the Photobook project up and running, Pentland is looking at other visual intelligence challenges. "I'm trying to get the computer to recognise not just a face, but what mood a person is in or the gestures he or she is making."

The new technology would have different applications from Photobook. Pentland is talking to car makers Nissan. Volvo and Mercedes-Benz about the possibility of making a car that recognises when the driver is falling asleep, for instance. The idea is that the car would set off an alarm or create some other stimulus to wake the driver up.

Pentland has also created a computer that recognises simple hand motions. He is using this technology in a new Media Lab project called the "Smart Room", which can interpret the wave of a hand as a signal to change the television channel or lower the volume, for

instance. Pentland admits that some spects of his research can be frightening. In fact, he got started on the project when Arbitron Company, the main competitor of television rating group Nielsen, asked Pentland's boss Nicholas Negroponte, to develop a way to identify exactly who was watching certain television

shows. "Some people saw this as an Orwellian nightmare, although the reason it hasn't yet been used has more to do with price," he explains. While some may feel uncomfortable with the idea, increasing anonymity has introduced an aspect of danger to the world.

spent their days interacting with people long familiar to them. Today, parents hand their children over to caretakers they met a short time before, open their front doors to delivery people they do not know and wonder if the nerson sitting next to them on the plane could be a terrorist.

# Keeping a watchful eye on security

n the film Never Say Never Ayam, a camera lens 200ms up to James Bond's eye to verify his identity by his iris pattern.

ATM users in Japan may soon feel like agent 007. Sensar, a New Jersey-based subsidiary of the David Sarnoff Research Centre, has clinched a \$26m (£17m) deal with Oki Electric of Tokyo for technology to verify users' identities by examining their

Oki, one of the largest ATM manufacturers in the world. hopes to incorporate the system in its machines by

early next year.

Sensar says that it is negotiating deals with other ATM makers as well.

The new technology. developed in the UK by John Daugman, a scientist at Cambridge University, uses iris patterns to recongnise identity. "Iris patterns are even more unique than fingerprints," says Daugman. 'I don't even use colour, because there are so many

other distinguishing marks." Daugman's method is similar to that used by Alex Pentland at the Massachusetts Institute of Technology for face recognition.

The camera uses algorithms to make simplified maps of the iris, then stores the image digitally in the computer's database. When the computer sees the iris again, it scans its memory to make a match.

One advantage of iris over face recognition is that the markings of the eye are more variable than facial features. Even identical twins have distinguishable irises.

Another benefit is that the camera knows when it is seeing a live eve because the pupil oscillates.

"You can't just hold up a photograph of someone's iris," said Daugman. "The computer will know it's a fake.' However, the technology has drawbacks. For one thing,

users have to take off their sunglesses for the system to.

The system also suffers from an annoying characteristic in that, because the iris is a small organ, the camera has to come very close to the eye to provide positive identification.

"You can get people in the military, maybe, to put up with a camera lens right in front of their eye, but ATM users won't stand for that," says John Siedlarz, chief executive of Iriscan, the company that markets and licenses Daugman's technology. Oki will solve that problem

by making ATM customers insert a card first. Because the card tells the computer who the user is, the camera merely needs to confirm that fact. That is a far easier task than finding a database match using the image of the iris alone. For that reason, the system will work even if the user is up to 3ft away.

Daugman is now tackling the next step, which is to use

the technology for positive identification even when the subject is a reasonable distance from the camera. In the future, he hopes, ATM users will not even need a card to access their account. Even if ATM manufacturers adopt the technology, it may take some time for it to

become widespread. "We don't see banks goin out and refitting all their ATM machines, but we do see them replacing old machines with ones that have iris recognition devices," says Siedlarz.

Iriscan is also looking to sell iris recognition programs for secure entrance to buildings and military bases, where real secret agents may soon be identified by their iris

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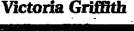
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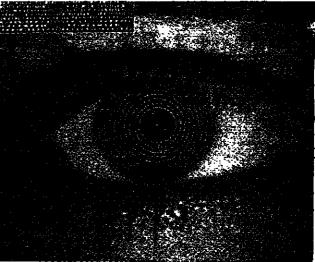
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Real life does sometimes imitate fiction.





Having a good took: illustration of a computed iris code

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The Secretary of State for Education and Employment wishes to invite bids from organisations to provide the Careers Service in the following areas in England from April

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### he late Federico Fellini would have loved this year's festival. Not only is it by exact count "Cannes 48½": a movie spree founded in 1946 having lost two festivals in 1948 and '50 and half of one to the unrests of 1968. But there was also a defiant show of la dolce vita on opening night this year. Spurning umbrellas even under pouring skies, the glittering folk ascended the Palais steps to jaunty music-speakers, turning to wave to le tout Carmes in ever more rain-drenched dinner jackets and

Then they sat through a double bill of movies called Runaway Brain and Ridicule. No irony was intended by the titles, though both conditions promise to be as rife as usual in Cannes, where the cerebral lies down annually with the sur-

Since the first film was a Mickey Mouse cartoon and the second an austere French costume feature, perhaps another statement was being made at Cannes '96. Holly-

# The cerebral meets the the surreal

Nigel Andrews reports from Cannes film festival, 48½ this year

ond fiddle to France will continue throughout the festival, where the host nation has five features in competition to America's modest three, an unprecedented ascendance. Half a decade after Gatt the French may still be trying to show who is boss when it comes to showing movies in Europe.

Paris/Tinseltown standoffs seemed academic, though, on day two when the first Golden Palm favourite emerged from Britain. In Secrets And Lies director Mike Leigh returns to the high comedy of dysfunctionalism he perfected in High Hopes and Life Is Sweet and put on hold in the bleaker, more portentous Naked.

A hilariously rueful Brenda Blethyn - place a hundred francs now if you are betting on the Best Actwood's opening night role as sec- ress prize - plays an unmarried mother confronted with the daugh-ter, now grown up, whom she had given away for adoption at birth. Blethyn, white, discovers that said daughter is black. Thereby hangs the 24-hour tragicomedy of errors, which soon involves all Blethyn's relatives from her grumpy road-sweeper (second) daughter to her portrait photographer brother, played in finest wounded-hedgehog form by Timothy Spall.

Some critics have cried "Too long!" of a movie that insists on playing out its scenes of comic revelation in real time. But in Leigh's world, people are always encouraged to display their full repertoire of tics when they take on their new crosses. A long uncut take of mother and daughter at a restaurant table, picking at the past as nervously as they pick at their plates, is wonderful for what hap-pens in the silences as much as the

the far extreme from Leigh's realism is Peter Greenaway's style as displayed, dazzlingly, in The Pillow Book. Here the screen is overrun by surreal-ism. There are scrawled eastern ideograms, frames within frames, bursts of colour alternating with black and white. All this to enact the story of a woman author (Vivian Wn) whose works are written on her own, then later on her lovers', bare skin: extending a lov-ingly remembered childhood ritual in which her father used to inscribe birthday greetings on her face. The setting and cast are Oriental

save for Scottish actor Ewan

McGregor, graduating from train-spotting to tattooing as his nude body becomes the precious manu-script sent between the heroine and her (homosexual) publisher.

Rhyming "sex and text" in this truth-based portrait of the author of a 10th-century Japanese "pillow book", recording the lady's intimate thoughts on everything from court life to love adventures, Greenaway runs the erotic and cal-ligraphic together in a fable that accelerates into passion, jealousy and vengeance. This film-maker often accused of coldness can clearly heat up Jacobean passions and obsessions when he sets his heart and mind to it.

Shown out of competition. The Pillow Book knocked the life out of some underwrought movies vying for Golden Palm. Robert Altman's

Kansas City is a torpid mixture of thriller and period recreation, with Jennifer Jason Leigh, Miranda Richardson and Harry Belafonte trying to make sense of a story about jazz, kidnapping and political corruption. Hou Hsiao-Hsien's Goodbye South, Goodbye is a maddeningly plotless drift through Taiwanese manners and morals from the maker of The Puppetmaster. And Stephen Frears' The Van is a Roddy Doyle comedy so oldfashioned in its rumbustiousness that we are surprised he dld not enlist

Meaney and Donal O'Kelly. The Directors Fortnight has also alternated between the lithe and the all-over-the-place. Cannes' showcase for radical auteurs opened with John Sayles' Lone

the "Carry On" team instead of the bravely struggling duo of Colm

Star, a big liberal soap opera set in a Texas town so lathered with past guilts that we could be watching a Stanley Kramer melodrama. Kris Kristofferson is the bad sheriff who dies in mysterious circumstances (cueing the whodunnit plot). Chris Cooper of Troin Peaks is the good sheriff trying to clean up the town's legacy of graft and rac-

Much better were Steve Buscemi's Trees Lounge, a comedy of love boyish actor we know from Reservoir Dogs and Living With Oblivion, and Michael Winterbottom's Jude, which breathes life and wintry fire into Thomas Hardy's novel. Kate Winslet and Christopher Eccleston stride the Wessex landscapes as the cinema of Eng. Lit. turns from Jane Austen, fast running out of books, to another motherlode of period costumes, sturdy plots and star-

Still to come at Cannes are new Palm contenders from Bertolucci, Kaurismaki, Chen Kaige and the

# An intimate view of a monumental talent

William Packer admires Henry -- Moore's creative 'work in progress'

would argue, is England's greatest artist of the 20th century. Yet even now, it would seem, he is acknowledged abroad, and especially in France, rather more by critical reflex and assumption than by actual knowledge. In a sense he has been the victim of his own success. The huge public shows around the world, from the Belvedere at Florence in the 1970s to the Bagatelle in Paris in the '90s, brought with them enormous prestige. But locally and immediately impressive as they were, their curious effect was to make us begin to take the work isself for granted. As yet another vast bronze reclining figure of Moore's last years was laid out on the grass, we would duly note the size of it, the weight and cost of it,

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and rather small exhibition at He was a carver after all. Nantes, ten years on from Moore's death, is so important and so special. It is indoors. There are no bronzes to dominate the space by a purely material presence. And while some large works are included, there is none that is above a human scale in the immediacy and directness of its working. We are

reminded of the principles that Moore himself set out as a young man and which later he seemed almost to forget -- true sculpture establishes its own scale, and the tiniest piece may be truly monnmental; scale is a function not of literal size but of the imagination.

He was, through all those early years, a carver - breaking open, cutting and smoothing the wood or stone into the form he never expected but intuitively desired. Carving for him was never the reproduction of an image, but rather its discovery and release. But here again we come up against an apparent contradiction, for this show, small as it is, is fully retrospective, and after the war we find Moore turning increasingly from carving to modelling in clay, from which follow the casting into bronze and the opportunity to amplify at will the tiniest maquette.

It turns out to be not quite as we thought. For whatever the projected outcome of the particular project, Moore continued instinctively to work in more or less his old way, in that the immediate working scale was intimate and personal. And though he found himself working with materials that were new to him, he soon adapted them to his own old methods.

In particular, having cast the initial clay model into plaster, as the intermediate stage on the way to the final bronze, he would find himself working into it again, hacking and rasping at it, painting, staining or polishing the surface, to get it right. In fact, plaster become for him not a modelling, but a carving medium, another primary working . It is in this respect that this new material to be used for its own sake.

By the nature of the pro they usually serve, plasters are vulnerable and dispensable, liable always to be broken up and thrown away once the moulds are made. But Moore tacitly recognised their importance, not by showing them as works of art in their own right, but by preserving them first, and then by treasuring them. In the 1970s he gave a group of the larger plasters to the Art Gallery of Ontario, and a number are in the Tate. But most are held by the Foundation at Much Hadbam, and seldom shown on account of their supposed fragility.

The fact is that they are very beautiful objects in their own right, and a revelation of Moore the working artist most especially in his later years. The inconsistencies and contradictions fall away as we find him back in the studio with the work under his own hand, just as it always was. Whatever the production line, the inflationary scale, the huge bronzes in the background, here was the primary source, here the real creative work in progress.



I hesitate to call them magnettes or working studies. To see these beautiful plasters in the company of those familiar early carvings - all comparatively small and some tiny - is to know that they too are true works of art. But more than that, to see them now in the knowledge of the larger and more familiar bronzes and editions to which they led, is to know at last, obvious as it is, which came first. As with the drawings and the carvings, it is to know which carries the artist's true touch, which the subtler and more

particular expression, l'expression premiere indeed of the exhibition's

own title. The bronzes have their place, of course, wonderful and substantial monuments that they are, but not bere. What we do have here, as we have not had with Henry Moore, perhaps, since he was a young man. is not the public figure seen through his public art, but the artist as artist, the artist at work. In an odd way, we have been given back Henry Moore himself. And all of this could hardly have been shown to better advantage than it is at Nantes, in the cool white light of the central court of this handsomely restored museum.

Henry Moore - l'Expression premiere: drawings, plasters and direct carvings: Musée des Beaux Arts, Nantes, until September 2, then on to the Kunsthalle, Mannheim. Organised by the Musée des Beaux Arts, the Kunsthalle, the Henry Moore Foundation and the British Council: sponsored by la Banque

### Opera in Monte Carlo

# The Picture of Dorian Gray

The entrance to the casino is to the opera-house, a fabulously ornate gem designed by Charles Garnier and seating just over 500, lies straight ahead. If a choice between them is difficult, one can linger in the foyer and watch the paparazzi hoping to catch a princess or fashionhouse chief out to play for the

Going to the opera in Monte-Carlo is not like anywhere else. Exclusivity is at a premium, when the audience must be one of the wealthiest in the world and the theatre one of the smallest (one size down even from the old Glynde-bourne). It would be easy in the circumstances for the Opera de Monte-Carlo to settle into an easy routine of safe and stale seasons, but that would be to deny its reputation as a company energetic in encouraging new operas since its inception in 1879.

The tally of premieres is long and prestigious. Faure's Pénélope and Puccini's La rondine, Ravel's L'Enfant et les sortilèges and Massenet's Don Quichotte are among more than 60 operas to have had their premieres in Monte-Carlo, not to mention the first French productions of operas by Richard Strauss and revivals of Baroque works. It is an auspicious list, to which the latest addition was made last week - the premiere of Lowell Liebermann's

The Picture of Dorian Gray. For the gala performance on Friday the jeunesse dorée of the principality were out in force, but any worrles that the opera might prove to be an uncomfortably critical portrait of their lifestyle were largely unfounded. Liebermann says he fell under the spell of Wilde's novel at the age of 13 (a teacher, being told that it was his favourite book, sniffed "I certainly hope not") and his own adaptation is the kind that respectfully follows the text to the letter, while losing most of its

As Wilde might have put it, the honest story-teller misses nothing but the truth. In setting up the contrast between Dorian Gray and his alter ego, the portrait, Wilde is able to expound on various philosophical and moral opposites - the innocent and the corrupt, the real and the illusionary, the eternal and the changeable. Liebermann, under-standably feeling that this would be difficult material for an opera, reduces the philosophising to an unintelligible trio near the start and quickly passes on.

What is left is straight narrative which the composer has adapted quite effectively for the lyric stage. It is, after all, a good short story with operatic parallels in the Faustian pact of Gounod's opera and the rake's progress of Stravinsky's. Using mostly Wilde's own words, Liebermann paces his opera judiciously and gets up a decent head of steam in the second half, where events rather than thoughts start to drive the plot. But it is all so cautious. There is no sense of living on the brink. No moral outrage.

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n the same way the music is content to accompany the story, rather than seeking to express its unspeakable thoughts through a language without words. Liebermann is at his best in the traditional craft of writing a sweet love duet or catching the atmospheric chill of the attic where the portrait lurks in the darkness (a mysterious celesta, as in Britten's Turn of the Screw, comes in handy). His style is easyto-absorb modern romantic and the Orchestre Philharmonique de Monte-Carlo under Steuart Bedford came across well in it.

Indeed, the production as a whole did the opera proud. John Cox organised the many scene changes expertly and arranged a real coup de théatre at the end, when the monstrous portrait magically reverts to its original beauteous

As the human incarnation of tha vision. Jeffrey Lentz always looked the part and sometimes sounded it, though his stamina and range were severely tested. Korliss Uecker was an appealing Sibyl Vane. Gregory Reinhart sang Basil Hallward with unwavering certitude and John Hancock delivered Lord Henry Wotton's bon mots with vocal grandeur. Somehow, though, aphorisms accompanied by surging Hollywood-style strings just do not sound the

Those who remember lain Hamilton's adaptations of books and plays (The Royal Hunt of the Sun and Anna Karenina) at English National Opera in the 1970s will recognise the continuation of the formula in Liebermann's Dorian Gray - the well-made opera, well intended, playing it safe and sound. "Those who go beneath the surface do so at their peril", declared Wilde with foresight in the preface to his book.

Richard Fairman

# INTERNATIONAL

### AMSTERDAM

EXHIBITION De Nieuwe Kerk Tel: 31-20-6268168 World Press Photo: exhibition showing the work of the American photographer and prizewinner Lucian Perkins and other selected press photos; to Jun 9

### BERLIN

CONCERT Tel: 49-30-2614383 Berliner Barok-Orchester: with conductor Konrad Latte and violinist Antje Weithaas perform works by Vivaldi and Handel; 8pm; May 17 HIBITION

Tel: 49-30-3214029 Wasserweiten. Das Motiv des Wassers in der Kunst des Jugendstils: exhibition devoted to water as a source of inspiration for the artists of the Art Nouveau movement. The display includes paintings, porcelain, and works in metal and glass; to Sep 15

Komische Oper Tel: 49-30-202600 Le Nozze di Figaro: by Mozart. Conducted by Shao-Chia Lü and performed by the Komische Oper Berlin, Soloists include Ottenthal. Korondi, Oertel and Larsson; 7pm;

### BONN DANCE

Oper der Stadt Bonn Tel: 49-228-7281 Ein Sommernachtstraum: a choreography by Yuri Vàmos to music by Mendelssohn, performed by the Ballett Bonn; 7pm; May 16,

### ■ BRUSSELS THEATRE

Koninklijke Vlaamse Schouwburg Tel: 32-2-2194944 De Keizer van het Verlies: by Jan
Fabre. Directed by Jan Fabre and performed by Dirk Roofthooft; 8pm;

### CARDIFF

CONCERT St. Davids Hall Tel: 44-1222-878444 The BBC National Orchestra of Wales: with conductor Mark Wigglesworth and soprano Lucy Shelton perform works by Webern. Berg and Schoenberg; 1.05pm; May

### ■ COLOGNE

Opemhaus Tel: 49-221-2218240 Die Zauberflöte: by Mozart. Conducted by Georg Fischer and performed by the Oper Köln. Soloists include Dieter Schweikart, Rainer Trost, Martina Rüping and Iride Martinez; 7.30pm; May 15

### **■ COPENHAGEN**

JAZZ & BLUES Copenhagen JazzHouse Tel: 45-33 15 26 00 James Moody & The Glindemann Orchestra: perform jazz music; 8.30pm; May 16

### **EDINBURGH**

AUCTION Phillips Edinburgh Tel: 44-131-2252266 Scottish Books and Burns Memorabilia: included in this sale are the remaining books from the library of the Rt. Hon The Lord

Borthwick: 11am: May 15

### **■ HAMBURG EXHIBITION**

Hamburger Kunsthalle Tel: 49-40-24862612 Egon Schiele. Sammlung Leopold Wien: exhibition of works by Egon Schiele (1890-1918) from the Austrian Leopold Collection. The display also affords insight into the Jun 16

### **■ LEIPZIG OPERA**

Oper Leipzig Tel: 49-341-1261261 Il Barbiere di Siviglia: by Rossini. Conducted by Krüger and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Halx. Sawaley. Scholz,

Heimann and Riemer, 8.30pm; May

### LONDON CONCERT

Queen Elizabeth Hall Tel: 44-171-9604242 • The Bournemouth Sinfonietta:

with conductor Roy Laughlin and young professional singers on the present National Opera Studio course perform excerpts from Puccini's Tosca, Bizet's Les Pēcheurs de Perles and Stravinsky's The Rake's Progress; 7pm; May 15 St. John's, Smith Square Tel: 44-171-2221061

 Tom Krause: accompanied by pianist Graham Johnson. The bartione performs songs by Schubert, R. Strauss, Sibelius and Mussorgsky; 7.30pm; May 15 OPERA

London Coliseum Tel: 44-171-8360111 Ariodante: by Handel. Conducted by Ivor Bolton and performed by the English National Opera. Soloists

include Ann Murray, Joan Rodgers and Christopher Robson; 7pm; May THEATRE The Pit Tel: 44-171-6388891 The Painter of Dishonour: by Calderón, in a new version by Boswell and Johnston. Directed by Laurence Boswell and performed by

the Royal Shakespeare Company;

7.15pm, May 21: 7pm, May 18, 23 also 2pm; from May 15 to May 23

### ■ LOS ANGELES

EXHIBITION Norton Simon Museum of Art

Tel: 1-818-449-6840 The New Wave: Bonnard,
Toulouse-Lautrec and Vuillard and the French Color Print: exhibition of 38 color lithographs by the 19th-century avant-garde painters/ printmakers Pierre Bonnard, Henri Foulouse-Lautrec and Edouard Vuillard; to Jul 21

THEATRE Ahmanson Theater Tel: 1-213-972-0700 An inspector Calls: by J.B. Priestley. Directed by Stephen Daidry and performed by The Royal National Theatre: Tue - Sat 8pm. Sun 2pm, Sat also 2pm; from May 15 to Jun 30 (not Mon)

### ■ NEW YORK CONCERT

The Metropolitan Museum of Art Tel: 1-212-879-5500 Juilliard String Quartet: perform string quartets by Beethoven; 8pm; May 17

### ■ NICE **OPERA**

Opéra de Nice Tel: 33-92 17 40 00 Armide: by Gluck. Conducted by Marc Minkowski and performed by the Opéra de Nice. Soloists include Sophie Marin Degor, Mireille Delunsch, Jean Delescluse and Laurent Naouri; 8pm; May 15, 17, 19 (2.30pm), 21

parisiens: exhibition of a series of

### PARIS EXHIBITION

Tel: 33-1 42 72 21 13 Georg Aemi - Panoramas

panoramic views of Paris by the Swiss photographer Georg Aemi; from May 15 to Sep 29 OPERA

Théâtre de l'Opéra Comique Tel: 33-1 42 44 45 46 L'Elisir d'Amore: by Donizetti. Conducted by Antonello Allemandi and performed by the Opera

### Comique. Soloists include Youngok Shin, Raul Gimenez and Peter Savidge; 7.30pm; May 15, 17, 19 (4pm), 21

### **■ STOCKHOLM OPERA**

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300 Die Fledermaus: by J. Strauss. Conducted by Kjell Ingebretsen and performed by the Royal Swedish Opera. Soloists include Gunnar Lundberg, Ragnar Ulfung, Hilde

Leidland and Britt Marie Aruhn;

### ZURICH

7.30pm; May 15

CONCERT Tonhalle Tel: 41-1-2063434 Tonhalle-Orchester: with conductor David Zinman and pianist Christian Zacharias perform works by J.Ch. Bach, Mozart, Stravinsky and R. Strauss; 7.30pm; May 15

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Financial Times Business

CNBC; 09.00

Squawk Box 10.00

European Money Wheel 18.00

Financial Times Business Tonight



Martin Wolf

# The ills of manufacturing

While many explanations are suggested for the puzzling combination of growing productivity with stagnant output, there is no magic cure for the condition

UK manufacturing is lean and mean, but its output is barely seen. It has managed since 1979, to combine dynamic productivity with stagnant output. Many hoped the recovery would mark a change to this disconcerting pattern. But, after a short surge in 1993 and 1994, manufacturing is back to its habitual ways. Why has the growth of manufacturing been so disappointing? Does it matter? Can anything be done about

The stagnation of UK manufacturing over the past two decades has been almost total. According to an article by Michael Kitson and Jonathan Michie of Cambridge University, which appears in a stimulating symposium in the January issue of The Economic Journal (Basil Blackwell, Oxford), the total increase in manufactured output between 1973 and 1992 was a derisory 1.3 per cent. Over the same period, manufactured output rose 68.9 per cent in Japan, 68.6 per cent in Italy, 55.2 per cent in the US, 32.1 per cent in Deindustrialisation may be West Germany and 16.5 per cent in France.

If output growth has been astoundingly bad, as the chart shows, productivity growth has been highly creditable. Output per person employed in UK manufacturing rose 78 per cent between the first quarter of 1979 and the end of last year. One indication of how much labour productivity has improved is given by Pro-fessor Nicholas Crafts of the London School of Economics in the same symposium: in 1979 West German output per person hour was 40 per cent above UK levels; by 1989 this advantage was down to only

17 per cent. This combination of fast productivity growth with virtually no increase in output is ouite extraordinary. It has also had two inevitable consequences - job losses and declining shares of manufacturing in gross domestic product. Between the cycles of 1964-73 and 1979-89 UK employment in manufacturing

against only 10 per cent to 13 per cent in France and Ger-many (0.5m and 1.1m, respectively). Unskilled men were

the predominant victims of these job losses. Meanwhile, the share of manufacturing in GDP collapsed from 32 per cent in 1973 to 28 per cent in 1979 and 21 per cent in 1993. Does this striking contrast between the output and productivity performance of manufacturing actually matter?

Professor Crafts argues that deindustrialisation could even become a "dangerous obsession", because it might lead to foolish interventionism and protectionism. As if on cue, Mr Kitson and Mr Michie insist that such deindustrialisation seriously damages the UK's wealth and call for "the implementation of a macroeco-nomic and industrial strategy directed towards achieving sustainable economic growth and the root-and-branch reform of a financial system that has been failing British industry since Victorian

important for any of four rea-• Because manufacturing

generates large benefits for the wider economy that are not fully captured by the businesses that create them; Because it generates jobs for particularly important segments of the population;

the bulk of the foreign exchange on which the UK depends for its prosperity; and, accordingly;

 Because it largely deter-mines GDP and overall employment, given constraints on the country's ability to finance current account deficits by borrowing abroad.

Members of Cambridge Uni-versity's Keynesian band are not the only ones who believe the failure of manufacturing to expand is worrying. Mr Walter Eltis, for example, who was adviser to Mr Michael Heseltine as trade and industry secretary notes that "few can doubt that the UK would have achieved a higher GDP and a lower natural rate of unemployment if manufacturing industry had been able to win a higher share of world markets and the UK home

This seems plausible, above all because nearly two-thirds of the UK's exports of goods and services are manufactures. If the economy is unable to generate growth in production of tradeable goods and services in line with demand for them, problems seem certain to arise. The question is not whether, but when and how often.

Why then has manufactured output been stagnant, even though demand for manufactured products has been steadily growing? Mr Kitson and Mr Michie place their bets on underinvestment. On the fact they are correct. Gross investment in UK manufacturing has been as stagnant as though more unstable than output. Underinvestment is not, however, an explanation. It is another piece of evidence.

There are at least four possi-

ble explanations: one, advanced by Mr Eltis, is that manufacturing has suffered from chronically inadequate profitability; the second, recently suggested by Mr Tim Congdon of Lombard Street Research, is that the supply of labour is constrained by the perverse incentives of the welfare state; the third, put forward by Mr Kitson and Mr Michie, is short-termism in the City and the stop-go policies of the government.
Finally, in his contribution

to the symposium, Professor Barry Eichengreen of the University of California at Berkeley emphasises the nature of the industrial economy developed by the UK in the first half of the 19th century which bequeathed a legacy of craft-based unions, frag-mented enterprises and banks specialising in trade credit. This explanation has at least some plausibility, since the UK's relative decline has been

Yet of these the focus on incentives must be the sensible one. There is no point in bemoaning 200 years of his-

ability of today is just a start. What is needed is a stable macroeconomic policy, with a competitive real exchange rate, underninned by conser vative fiscal policy. That is just one of many reasons why talk of large tax cuts is so irresponsible just now.

tory, since it cannot be undone. As for the host of

interventionist suggestions by

Mr Kitson and Mr Michie -

national investment bank

regional investment banks

investment banks for small

and medium-sized enterprises

regulation of dividends and

takeovers and measures to

encourage banks to take

many of these look like

licences to waste money.

Finally, Mr Congdon's expla-

nation looks incomplete

since output has risen far

more in the generous Euro-

pean welfare states than in

My own hypothesis is that

the persistent pressure on profits created by chronic

overvaluation of the real

exchange rate - another name

for excessive real costs of

labour, given its productivity

relations and unstable macro

economic policies has pro-

duced a manufacturing sector

for which a week is a very

long time. Managers know

only how to cut costs, not how

There is no swift, magic

cure for this ailment, although

inward investment helps. The

higher productivity and profit-

to grow businesses.

combined with poor labour

the UK.

equity positions in clients

Manufacturing's failure to grow is important, above all ause it symptomises much that has been wrong with the UK. But the government's chief task is to create the conditions for managers to prove they are worth their pay.

 Michael Kitson and Jonathan "Manufacturing Michie. Capacity, Investment, and Employment", in Michie and John Grieve Smith (eds), Creating Industrial Capacity: Towards Full Employment (Oxford and New York: Oxford University Press, 1996).

Personal View · Stephen Roach

# America's recipe for industrial extinction

Downsizing has gone too far, and it is time to invest in factories and skilled workers

have extolled the virtues of America's productivity-led recovery. This has become the new mantra for US businesses in the 1990s. but I must confess that I am now having second thoughts as to whether we have reached

the promised land. Surging profits, sustained low inflation, improved competitiveness and a record run in the stock market are all unmistakable byproducts of spectacular improvements in business efficiency. But it is increasingly apparent to me that these are the result of plant closures, job cuts, and other forms of downsizing that are not recipes for lasting pro-

ductivity enhancement. The key to sustained productivity performance has long been one of the great mysteries of economics. But there is general agreement that improvements in the quality of the workforce are indispensable. New technologies and a more experienced workforce have made their mark in the 1990s. but the educational attainment of entry-level workers is plainly lagging. In short, the jury is still out on whether the heavy lifting required for sustained productivity enhance-

ment has really begun. The distinction between efficiency and productivity goes to the heart of America's competitive dilemma. I have written at length about breakthrough technology platforms, process re-engineering and new outsourcing strategies - airguing that these are all crucial ingredients of the productivity turnaround of the 1990s. But maybe I went too far. It may be that a more basic force has been at work: in the face of intense competition, managers may simply have pared the largest

worker compensation, which represents 70 per cent of corporate production expenses. If that is so, the so-called pro-

ductivity resurgence has been built on slash-and-burn restructuring strategies that have put extraordinary pres-sures on the workforce. This approach is not a permanent solution. Tactics of open-ended downsizing and real wage compression are ultimately recipes for industrial extinction.

Therein lies the trap of this productivity-led recovery: labour cannot be soueezed for ever, and corporate America can't rely on the "hollowing" tactics of downsizing to maintain market share in an expanding global economy. Significantly, the body politic is

coming to the same realisation. Some form of worker backlash is an inevitable byproduct of an era that has squeezed labour and yet rewarded shareholders beyond their wildest dreams. With Washington sensing worker unrest and economic anxiety as the hot but-ton of the 1990s, there is a growing chance that legislators will come up with regulatory "remedies" of their own. Minimum wage rises are just the first of many pro-labour measures likely to be considered.

Whatever the proposed remedy, there is a growing risk that politically inspired regula-tion will raise the cost of doing business in the US. Ultimately, I believe, this tension will be resolved through a significant change in corporate strategy. putting an end to the open-ended labour cost-cutting that has given rise to the efficiency breakthroughs of the 1990s. And slowly but surely, the pendulum will swing from capital back towards labour, testing many of the forces of disinflation and company earnings vitality behind the surges in bond and stock markets

over recent years. The story goes beyond the politics and sociology of worker backlash. It opens up the debate on the most pro found challenge facing US businesses in the years ahead: how to grow. With the tactics

focused more on downsizing than on rebuilding, corporate America may now be too lean.

For example, growth in manufacturing capital stock has slowed to 2 per cent a year since 1980, about half the historical growth rate of 3.9 per cent in the 1950-80 period. Similarly, factory employment has contracted by 0.6 per cent a year since 1980, an abrupt turnaround from annual average job gains of 1.2 per cent over the previous 30 years. By eliminating productive capacity through plant closures and slashing payrolls through job cuts, industry may lack the infrastructure required to sus-

tain growth in the years ahead. That raises critical questions about competitive strategles for the millennium. As China, India, Russia, central Europe and the rest of the developing world propel the global economy in the years ahead, growth in productive capacity in mature countries such as the US becomes all the rese

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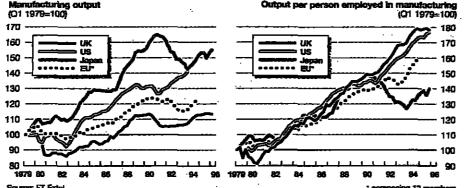
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share, let alone expand it. The demand side of the global economy is about to enter an era of geometric growth. It would be tragic if newly revitalised US companies squandered the fruits of restructuring by continuing to downsize their capabilities on the supply side. The hollowing strategies of the current productivity-led recovery could be setting just such a trap.

It is time to take a hard look at what lies beyond restructuring. In the end, there is really only one way out: upgrading the quality of the workforce and recognising the need to rebuild through hiring and "greenfield" expansion of new production facilities. That means resolving the trade-off between short-term efficiency gains and long-term productivity enhancement. Meanwhile. the miracles of the great productivity revolution of the 1990s are starting to ring hol-

The author is chief economist of Morgan Stanley. This article is an extract from a report sent #

### UK manufacturing: cutting costs, not growing businesses



# Pfizer forum

Parallel Trade and Comparative Pricing of Medicines: Poor choice for patients?

DR PATRICIA M. DANZON

Government strategies to limit drug reimbursement expenditures by "importing" savings from countries with lower prices are bad policy and harmful to innovation, according to a prominent health economist.

Drug prices have traditionally differed substantially across countries, reflecting differences in regulation, insurance coverage, medical practice. exchange rates, and other factors. Meaningful

comparison of drug prices in different countries is technically problematic, because of vast differences in the range of drugs, forms, strengths and packsizes available in different

Nevertheless, in recent years, governments in countries with relatively high prices have been increasingly attempting to reduce their own drug expenditures by taking advantage of lower prices in other countries. Two strategies are employed to that end. The first relies on cross-national price comparisons as a benehmark for regulating domestic prices, a policy that has already been adopted by several coun tries and is being proposed in

others. The second strategy is to permit wholesalers to import drugs purchased abroad at lower prices. Such parallel importing is growing in Europe and threatens to expand significantly, as traditionally low-priced countries join the European Union.

Trade normally increases consumer welfare. and it is on this basis that the European Commission has supported parallel imports. However, the necessary conditions for trade to enhance social welfare are violated in the case of parallel trade in drugs. The lower prices in the exporting country reflect greater regulatory leverage, not superior economic efficiency or lower real costs - indeed, parallel trade adds costs of repackaging transportation etc. Moreover, secouse prices are regulated, any savings often accrue to middlemen rather than being passed on

to consumers. The exporting of regulatory leverage from one country to another is particularly harmful when applied to innovative pharmaceuticals because it undermines the basis of paving for R&D. The pharmaceutical industry is more research intensive than any other industry. R&D is roughly 14-17 percent of current sales. But R&D accounts or about 30 percent of total costs, if all costs are discounted to present value at the time of hunch.

The cost of bringing a new chemical entity to market is roughly \$359m (in 1993 dollars).

The dilemma posed by these bigh R&D costs is twofold. R&D is a global joint cost - that is, the cost is the same no matter how many consumers worldwide use the drug. Since R&D costs cannot be rationally allocated as a direct cost of serving a specific country or consumer group, there is a strong incentive for each country to free-ride,



leaving others to pay for the joint R&D costs. This free-rider incentive is exacerbated by the fact that R&D and other significant fixed costs are sunk by the time that price is negotiated. Manufacturers rationally continue to supply existing products as long as price covers the marginal costs of production and distribution. However, in the long run, if prices are inadequate to pay for the joint costs of R&D and other sunk costs, the revenues will not be there to develop new drugs.

R&D is of course not unique to obarmaceuticals. Patent protection is the normal mechanism whereby innovators recoup their R&D investments. However for pharmaceuticals, the value of patent protection is constrained by price regulation in public health budgets. As monopsony purchasers of drugs, governments face a strong temptation to force prices down to marginal cost. But if every country pays prices only sufficient to cover their marginal costs - either through direct regulation or by "importing" low prices through parallel imports and cross-country price comparisons - then no one pays for the common costs of R&D. At the limit, if everyone pays only the short run marginal cust, the shortfall could be as high as 50-70 percent of

A second fallacy underlying policymakers'

endorsement of parallel importing and crossnational price comparisons to equalise drug prices across countries, is that prices should be uniform. In fact, economic theory implies that charging different prices to different users is optimal and necessary to achieve the appropriate rate of R&D the rate that consumers are collectively willing to pay for. Healthcare consumers differ greatly in their ability and willingness to pay for innovative

> the same high price, then low income countries will be unable to afford innovative medicines, even though they would have been willing to pay the marginal costs of serving them. But if everyone pays the same low price, then R&D investments will target only the most common medical needs where high volumes can offset low prices. In the long run, consumers will be deprived of innovative drugs that they would have been willing to pay for, had differential pricing been permitted. Such differential pricing is commonly permitted in other industries with high joint costs, such as utilities and airlines.

medicines. If all are charged

Under any uniform price, global revenues and hence R&D will be lower than with differential pricing. Policies that enforce uniform prices across national borders - either indirectly through parallel trade or directly through comparative price regulation - are therefore bad policy for consumers. Patricis M. Damzon is Celia Mott Professor of Health Care Systems at the Wharton School, University of frants, and an adjunct scholar at the American Enterprise Institute in Washington, D.C.

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### LETTERS TO THE EDITOR

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### Alarmist view of US role in telecom negotiations

From Mr Harry L. Freeman. Sir, Your leader "World trade at risk" (May 7) is unnecessarily alarmist and inaccurately depicts the US role in the very recent telecom negotiations in the World

Trade Organisation.

You are right to argue for a strong WTO, but had the US gone along with the telecom offers on the table at the close of negotiations, it would have produced a bad result for all. and a bad agreement hurts the WTO. The US tabled early on a generous MFN (most favoured nation) offer and stated clearly its conditions which were ultimately not met. It found

materially wanting, and led the group for another go in 1997. still within the January 1 1998 deadline. A bad deal would have left telecom part open and part closed in 50-plus countries with no incentive left

to improve regimes. The EU played its all-too-frequent game of tabling an early, patently inadequate offer, scheduling ministerial meetings within hours of the closing minutes, and then claiming it had a good deal to offer on the final day, but was never seen.

It was not by chance that telecom, financial services, and

maritime were left over from the Uruguay Round. They are among the most difficult subjects, and all are governed by large, domestically-oriented ministries. The new timetable provides more convergence of financial services and telecom services, all to a better

negotiating environment. I take issue with your leader it its implication that the WTO's future is at stake. A lowest common denominator deal in financial and basic telecom services would have been detrimental to the WTO. Good deals build integrity. As for the important questions before the WTO at

beyond, that is serious stuff. not appropriately linked to the telecom deal. Characterising the US position (or, for that matter, any country's position) seven months early is unhelpful. The principal lesson from telecom is that the US means what it says, is not playing games, and wants something in exchange for binding a completely open market on an MFN basis.

Harry L. Freeman. The Freeman Company, 4708 Dorset Avenue. Chevy Chase, Maryland 20815, US

### Only right to complain

From Mr Neville Nagler. Sir, How many Jews does it take to make a lobby? Surely Philip Crowe's article "How the BBC gagged a turbulent priest" (April 27/28) is not suggesting that the UK media should be encouraged to deny people the right to express an opinion on an item they believe to be biased and

The Board of Deputies considered it only right to complain to the BBC following his broadcast on "Thought for the day" (May 1994) after we received a number of calls from incensed listeners, both Jewish and non-Jewish. They certainly did not share Mr Crowe's description of his broadcast as "measured and balanced".

Two years after Mr Crowe's controversial broadcast, it is no longer helpful to see the Middle East in terms of Israelis versus Palestinians. Since the recent peace

accords there are two distinct camps, one in favour of compromise and peace and one which wishes to destroy both the peace process and Israel.

Neville Nagler, chief executive, The Board of Deputies of British Jews, Commonwealth House, 1-19 New Oxford Street, London WC1A 1NF. UK

### Survival plan for tiger economies' symbol From Miss Clotilde Luce. muscular whiskery design should survive beyond virtual

Sir. What distressing absurdity is at work as Asian "tiger" economies thrive while their splendid striped symbol is being poached to extinction. Tiger economies emerge in spectacular fashion, and the magnificent animal that took several eons of evolution to emerge, disappears into potions and soups. Chinese and Japanese consumers believe tiger bone is a panacea, but it Obviously does not cure short-sightedness.

make for those of us holding investments in Asian tiger economies, who think this quadruped pinnacle of

From Mr Ralph Wedgwood.

I have a modest proposal to

offer each investor the option to make direct contributions

Lyonnais, etc) that we

The big mutual funds (Eaton

Vance, Scudder, GAM, Credit

baby-boomers prop up should

through the fund to one of these save the tiger projects. "Our Asian tiger fund funds the Asian tiger!" could be an appealing PR pitch for millions of us, and perhaps impress upon tiger governments the urgency to preserve the species. Perhaps "tiger fund" money

could support research towards

molecule is so beneficial in tiger bone. My Chinese friends dutifully pay respect to their ancestors. Is there no "debt" to descendants? I personally would begrudge an orange or two on the altar to ancestors who blithely sprinkled tiger shavings on their won tons. In 25 years I hope to turn the pages of the FT and see that my Asian tiger investments are solid, and not read the necrology of the puissant animal chosen as mascot and

Clotilde Luce 252 Blvd St Germain,

### UK government pandering to prejudice

Sir, May 8 and 9 were an interesting couple of days for gay rights around the world. On May 8, an overwhelming majority of South Africa's constitutional assembly approved their new constitution. The "equality clause" of this constitution's bill of rights guarantees protection against discrimination both by

government and by the private sector on the basis of a wide range of characteristics. including race, sex, religion, age, disability, and sexual orientation. On May 9, the Canadian

House of Commons overwhelmingly passed legislation barring discrimination on the basis of sexual orientation in hiring or promoting people in the federal civil service and in various regulated businesses like banks, airlines, and

broadcasting.
On the same day, the British House of Commons, by a hefty majority, defeated a motion to lift the ban on homosexuals serving in the British armed

According to the British government, the rank and file of the British armed forces find the prospect of living at close

quarters with homosexuals so disturbing that allowing homosexuals in the forces would inevitably undermine

military effectiveness.
It is interesting to note which countries' legislatures believe in protecting their citizens against prejudice and which of them believe in pandering

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ımber One Southwark Bridge, London SEI 9HL 44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday May 14 1996

# An Indian conundrum

emarkable process of voting world's largest democracy r. and the painful period of ing over a new government nly just begun. India's voters have yet again disproved the scepwho never believed that democracy would survive there for 15, let alone almost 50 years of independence, and through 11 largely free and fair multi-party elections. But the latest exercise has produced an electoral conun-drum which is likely to prove extraordinarily difficult to resolve. by denying any one party, or combination of relatively like-minded parties, a clear majority. The election represents a sea-

change in Indian politics. It is difficult to see the weary Congress Barty, which has ruled the couniry for all but four years in the last 49, returning in strength as a unifying force at the centre of national politics. The clearest message of the voters was their rejec-tion of their traditional rulers. whose support slumped to barely 30 per cent. As a result, the country has entered an era of weak coalition politics at the national level with increasing power devolving in practice to the states.

This need not of itself be worrying to the business and international communities. At the state level there is much more support for foreign direct investment, and for the economic deregulation that facilitates it, than there has been traditionally at national level. But a weak coalition government in Delhi might well retreat from the economic reforms launched over the past four years by Mr Manmohan Singh, the finance minister, and be tempted to relax control over the fiscal deficit in order to pacify the demands of all its partners. That would be much more

### Foreign investment The business community is

inclined to favour the free-market policies of the Hindu nationalist Bharatiya Janata Party (BJP), in spite of its hostility to foreign investment in the consumer goods sector (but not for high technoland most disciplined leadership, healthy one.

and it would be most likely to press through reform of the coun-

try's mellicient public sector.
On the other hand, the BJP rep resents a radical departure from the secular tradition of India's democracy, and it contains extremist elements which could too easily inflame inter-communal strife with the Moslem community. It is likely to be more hostile towards Pakistan, even to the extent of developing a nuclear option. That is an ominous threat. The BJP may be hard pressed to put together a majority in parliament with mistrusting secular

The most likely outcome of the present negotiations would appear to be a fractious left-wing coalition, led by the National Front-Left Front alliance, and enjoying the tacit support of the Congress party. But they remain divided among themselves, and their poli-

### Budget deficit

Most members of the NF-LF represent the poor and dispossessed in Indian society. Although its members have proved pragmatic in power in the states - such as West Bengal - such a coalition would severely test the assump tion that the current economic reforms enjoy a broad national consensus. It would rapidly come under pressure to increase public spending and transfers to the states and to the rural poor. This would make it extremely difficult to get to grips with India's large budget deficit, probably the most pressing of its economic problems. The Congress party failed to meet its targets in this respect. The chances of a coalition doing any better are small, but it must try because the level of government borrowing is unsustainable.

It is clear that no likely outcome is ideal in the struggle to govern a country as complex as India. The most stable solution might be a BJP-led coalition in which the party was severely constrained by secular partners. But few expect any solution to be long-lasting. sector (but not for high technology and infrastructure). It has transition towards a more federal, emerged as the largest single less centralised structure. It is a party, it has the clearest policies painful process, but ultimately a

# Turning up the heat on gas

Ofgas over the latest proposals for controls on gas prices. It is almost inevitable that the row will now go to the Monopolies and Mergers Commission. Most of Ofgas's reasoning is sensible; whether the MMC is involved or not, price curbs on the lines proposed seem justified. But British Gas's protests are warranted in one respect: the power of a single individual to cetermine an entire industry's fortunes provokes widespread It is a reminder that a review of the utility regulators'

rais is needed. The curbs which Oigas wants to impose on TransCo, British Gas's monopoly pipeline business. would cut domestic prices by an annual 10 per cent, or about £30. That is a tough stance; those who like to say that utility shareholders fare too well should note that British Gas shares have underperformed the FT-SE All-Share Index by 36 per cent since the 1986 flota-

Ofgas's position is justified. It is right to recommend a higher ratio of debt to equity than that suggested by British Gas. It is sensible, too, to arrive at a real, pretax cost of capital of between 6.5 per cent and 7 per cent, lower than British Gas wanted. In doing so, it has thoughtfully weighed up the principles used in other utili-

But there is one central point at which its reasoning looks muddled: the definition of the asset values on which it calculates the overall return. Ofgas says that, in principle, it would like to use the stock-market value at privatisation, adding on investment since that date, the method used in water regulation. But it rejects this in favour of the market value in 1991, as suggested by the MMC in its 1993 review. This basis is more generous to British Gas, but Cas says it is necessary because "market conditions have changed appreciably" since privatisation.

### Valuation basis

This is very odd. True, any basis for selecting an asset value is arbitrary and problematic. The historic cost of the assets may bear no relation to the earnings they can generate, while using market need urgent correction.

It was inevitable that British Gas values is somewhat circular the would clash with its regulator stock market values the business stock market values the business by estimating the earnings it thinks the regulator will permit. But a more coherent explanation

would still be welcome. Nonetheless, Ofgas's method has the virtue of rejecting the very high values which British Gas had put on its assets. In the circumstances, the proposals over all have merit. But the exercise raises wider opestions about the powers of all regulators.

Independent regulation

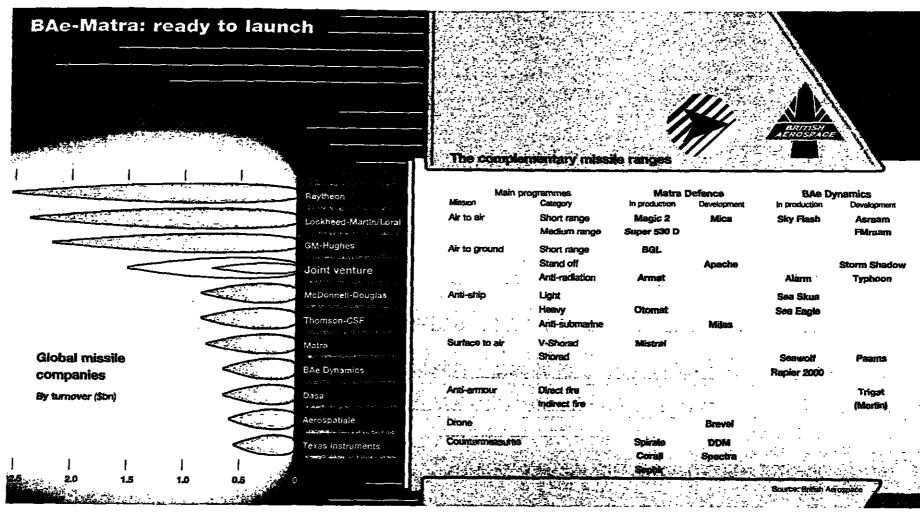
First, the value of having regulators who are robustly independent of the government is clearer than ever. TransCo says the pro-posals threaten the jobs of half its 20,000 employees. That may per haps be true, but such threats emphasise why pricing reviews are controversial, and show why they should be kept out of politi cians' hands. Ministers can easily ignore the fact that cuts in gas prices will belp many business throughout the UK and eventually

yield more jobs. However, the power of the regulator displayed in this review leaves an unpleasant aftertaste, as do many decisions by other regulators. Review by the MMC is an important check on that individu al's power, but regulatory decisions are still likely to vary between industries and over time That unpredictability, together with the arbitrariness of some rea soning gives regulators a hard job of establishing legitimacy in the eyes of the public and business.

The answer does not lie in ditching the present regulatory frame-work. In most utilities, it is well on the way to delivering dramatic reductions in price, which will help its reputation. However. employing regulatory panels for each utility, rather than a single individual, would help reduce the pressure on that person. Such panels should work to common principles on issues such as return on capital, to reduce inconsistency and anomalies between industries.

Regulation is delivering sizeable benefits to utility consumers. But its dependence on a few individuals prevents it being popular, and may in the end jeopardise those gains. Those shortcomings now

### **COMMENT & ANALYSIS**



# An elusive moving target

Consolidation in the European defence industry is still some way off, in spite of yesterday's Anglo-French missile merger, says Bernard Gray

art, as those involved in negotiating the merger of the missile businesses of British Aerospace and Matra, the defence arm of the French conglomerate Lagardère, have been discovering. Apply too little pressure and the target is not intimidated; too much and it starts to fight back.

The threat in this case is the refusal of the French government to sanction the union of Matra and BAe unless the UK agrees to award the new joint company a £650m cruise missile contract.

In response the UK Ministry of Defence, more used to threatening others than being threatened itself, reacted badly and chose to fight back against this French suggestion. It rejected out of hand the idea of abandoning its competition to select the weapon and said it would award the contract on merit alone.

The deadlock over the joint venture seemed finally to have been broken yesterday with the announcement that the two companies have agreed commercial terms to merge their missile businesses, with no mention made of cruise missiles. BAe and Matra have also agreed to work as a team on a bid to buy part or all of Thomson, the defence and consumer electronics company, from the French government. The integration of the European defence industry finally appears to be gathering pace.

Appearance is, however, neater than reality. In practice, consum-mating the BAe-Matra missile joint venture remains dependent on approval from the French and British governments. It was unclear vesterday whether French approval for the merger would be forthcom-ing if Britain decided to place its cruise missile contract with another

manufacturer. The announcement that the two companies would co-operate over Thomson was also vaguely worded. of the defence industry in Europe.

ssuing threats is a delicate and less than a full bid for Thomson. Early indications suggested that while the Lagardère Group, Matra's parent, would try to assemble a consortium to buy the whole of Thomson, it was still some way from achieving that aim. BAe, by contrast, seems mainly to be interested in picking off some of the more attractive parts of Thomson's defence busines

And despite yesterday's announcements, the intentions of the French government for its defence industry remain shrouded in mystery. In public it argues fervently for rationalisation across Europe, but its actions seem more concerned with preserving France's defence status than producing effective consolidation.

While the rationalisation of the European defence industry remains elusive, there are at least hints of a possible way forward in yesterday's

Britain is due to make its decision on which cruise missile to buy in July. Competition has been fierce. with two strong US contenders offered by the defence companies McDonnell Douglas and Hughes, and two strong European bids, one from BAe-Matra and another from Daimler-Benz Aerospace, the German group.

The BAe-Matra missile received a

favourable technical write-up from the Ministry of Defence, but is expensive compared with its US competitors which use "off the shelf" technology developed for existing US weapons. The team has also suffered for the unwise French threats last year. Nevertheless, there is a strong

feeling within the defence ministry that if the BAe-Matra team can produce a proposition which is roughly competitive on specification and cost, it is likely to win the contract. Earlier this year, internal ministry documents backed the consolidation

Ministers are also aware that the UK needs to demonstrate its commitment to the European industry after several recent high-profile procurement decisions to buy American. If the joint venture goes ahead, it would create the largest European missiles group measured by turnover, not far behind the three US giants, Raytheon, Lockheed Martin-Loral and Hughes. The two com-panies have complementary product ranges, with BAe currently developing a short-range and Matra a medium-range air-to-air missile, for example. There are similar matches

in other missile categories. The complementary nature of the two companies' air-to-air missiles operations could help Matra-BAe form a nucleus around which the try could coalesce.

atra's products are standard issue on French fighters while BAe's are fitted to British combat aircraft such as Tornado. Future weapons will have to be compatible with either aircraft type if they are to sell well, and other European manufacturers may regard folding their interests into the Matra-BAe grouping as the best

way to exploit the opportunities. This might apply, for example, to the members of the consortium formed to develop a missile as the principal weapon for the new fournation Eurofighter, and which could be fitted to the French Rafale and the Swedish Gripen. Members of the consortium include General Electric Company from the UK. Daimler-Benz Aerospace, Alenia of Italy and Saab of Sweden as well as

The two companies' wider ambi-tions to get their hands on part or all of Thomson are less well defined. The French government has said it wishes to privatise Thomson as a whole, with its lossmaking consumer electronics and multi-media business still attached to Thomson-CSF, the profitable defence electronics operation. The government has been negotiating with Alcatel, the electronics

and telecoms giant, and the Lagardere publishing and defence group over who might buy Thomson as a whole. Unlike Alcatel, Lagardère lacks the financial muscle to take on Thomson single-handed, hence the announcement of a consortium to include BAe. Nevertheless, it is not clear that

the Lagardère grouping can muster the muscle for a full bid. And even if the group can gather the resources, early indications seem to suggest that the French governent favours Alcatel as a buyer.

Canny observers, such as GEC which has business links to both groups, appear to be staying interested but strictly neutral until the government decides in principle to which team it wishes to sell Thomson. Only then will serious negotiations begin over the future shape of the French defence electronics Despite the protestations of the

French government, Thomson's civil electronics businesses seem likely to find their way into another civil company. France could then attempt to mimic the defence consolidation in the US and bring together Thomson's defence electronics business with the fighter operations of Dassault, the French fighter aircraft company. The missiles, helicopters and space business could be brought together with those of Aérospatiale, under the aegis of Alcatel. It would then have created a smaller national version of the huge Lockheed Martin-Loral operation in the US.

Alternatively, France could seek international partners for the businesses, with a joint venture pooling all of GEC-Marconi's defence

operations with those of Thomson-CSF - a natural fit. Perhaps, less probably, it could decide to break up Thomson-CSF, selling the missile operations to the Matra-BAe joint venture, for example.

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Since none of the companies vying for position knows what the outcome will be, each is attempting to keep its options open by express ing an interest in every possible opportunity. Most European industrialists are keenly aware that it was those US companies which struck deals to buy other defence companies early which had the upper hand when it came to further consolidation. None wants to be left

behind in Europe. Yet those international companies keen to move in on French the announcements on the future of the industry made by President Chirac in March. Negotiations between GEC and Thomson about a defence joint venture were well advanced when the government decided to privatise Thomson as a whole instead. The decision to merge military aircraft maker Dassault with Airbus-maker Aérospatiale also seemed to owe more to a French love of scale, rather than the colder logic of eliminating duplicated capacity in the UK, France and Ger-

In those few joint ventures so far negotiated with French companies. France has shown a remarkable reluctance to strike a deal unless it feels it has the upper hand. In the GEC-Matra space business and GEC-Thomson sonar operations, for example, the French have technical, if not absolute, control.

That desire may lead France to construct a national champion while publicly espousing European integration in defence. If it does so, European rationalisation will be delayed, more difficult and more expensive than it need be. It will also almost certainly be too late.

# OBSERVER.

### Let Rome in Tiber melt

■ Many horrified Romans are already making plans to vacate their city during the year 2000, when an estimated 40m visitors are expected to deck the town in wreaths of piety, celebrating the founding of Christianity. Those that stay put might regret it, if the Polish-British architect Cezary Bednarski, currently holder of a scholarship at the British School in Rome, gets his way.

Bednarski has a thing about bridges, having created an award-winning design for a pedestrian walkway over the river Thames in London. He is also now involved in a project for an aluminium sculpture bridge for Liverpool's Albert Dock. He recently explained to an audience at Rome University's architecture faculty how his concept of "inhabited bridges" (similar to Florence's Ponte Vecchio) could come in useful for the festivities in

His potion is the building of 20 new temporary bridges across the Tiber, from Monte Testaccio in the south of Rome to the Olympic stadium in the north. The bridges would ease pressure on accommodation by each offering 100 high-tech modular rooms, with spectacular views of the city. The bridges would all be painted different colours (he suggests

pinks, blues and yellows) and would be separately leased. Presumably when they are dismantled they could go on roving exhibition around the world. Or just be smashed up and melted down, who knows?

# Capital idea

■ Someone, at least, thinks Frankfurt is bursting with young expatriates who lead a 'terrifyingly active" life after working hours. His name is Chris Hamley, and

he's launching Rhein-Main News, a weekly magazine designed to relay local news, events and gossip to English-speaking readers holed-up in Germany's financial capital. "We are going to provoke but not offend," says Hamley, who intends the mag to be livelier than those in

which it is broadly based. Hamley reckons there are 50,000 people living in the Rhein-Main area who use English as their language of "first choice". Aside from the Brits and the Americans, there are apparently significant Indians, Pakistanis and Sri Lankans - ready, or not, to rock.

Luxembourg and Brussels, on

A former advertising executive with Saatchi & Saatchi in Germany, Hamley hopes Rhein-Main News will appeal to Germans, too, especially those who want to improve their English or don't have time for thick and

stodgy German newspapers". The cover story of the first issue departing alarmingly from the otherwise upbeat advertising script - shows a young man gazing wistfully at the Rhine, with the headline: "Desperately seeking someone. The truth about

### Gowrie's gifts

■ A change of tack for Britain's Lord Gowrie, who had been squirrelling away the non-executive directorships since he moved two years ago from the chairmanship of Sotheby's Europe to his unpaid post as chairman of the UK's Arts Council.

at Ladbroke and left the board, to which he has belonged since July 1988. He loved the company, he assured shareholders at the annual meeting in the glittering ballroom of the London Hilton, but was acutely aware that the National Lottery had proved more attractive to many punters than Ladbroke's bookies and casinos. The Arts Council, of course, mops up its

Yesterday, he cashed in his chips

share of lottery lolly.

It was not so much a clash of interests as a clash of perception, he said. The lottery, be was convinced, would ultimately extend the market in "fluttering". Meanwhile. Gowrie can quit worrying about the Ladbroke share price - which has underperformed the All-Share index by an

unsightly 53.5 per cent since the summer of 1988.

Off a duck's back ■ In South Africa tonight, Pallo Jordan may be cracking open a bottle or two. He may even drink a toest to F W de Klerk, for making some space in Mandela's cabinet. At the end of March the sharp-minded Jordan was dumped from his key portfolio of post and telecommunications, in a move that some insiders at the time regarded as a slapped wrist for having dared to criticise - albeit sotto voce - the great man and his deputy, Thabo Mbeki.

But clearly Jordan has his supporters. For yesterday, in the wake of the Nats' defection, he popped up again - as minister of the environment. So plenty of chance to continue pouring cold water over the festivities. .

### Ballot-box bonuses

As India's main parties scramble to form a coalition with independents, the gossip in New Delhi is that the purchase price of a "floating MP" prepared to "help" a party to form government amounts to the equivalent of some gim. It does not stop there. The word is that there are some meaty bonuses for those floaters bringing others along with them. Roll out the (pork) barrel.

# Financial Times

### 100 years ago The Sicilian sulphur industry

One of the chief questions now engaging the attention of the Cabinet is that of the amelioration of the sulphur industry of Sicily, which is in a very depressed condition owing to the competition of pyrites for the production of sulphuric acid, and the fact of the supply now largely exceeding the demand. not to mention the threatening rivalry of Japanese sulphur. The price has fallen from 140 lire to 60 lire a ton. It is now proposed to abolish the export duty of 20 per cent, which formerly yielded an annual revenue of 3,400,000

### 50 years ago Mexican Railway Co. sold

New York, 13th May:- The British-owned Mexican Railway Company which operates between Mexico City and Vera Cruz has been sold to National Railways of Mexico according to a dispatch from Mexico City. Although the terms have not been announced, it is understood that a cash payment by Mexico and delivery by the British management will take place this week. Mexico is to pay the British an estimated amount of 48,000,000 pesos (approximately £2,450,000 at current rates), which is said to represent about one-fourth of what the construction of the line cost.

# FINANCIAL TIMES

Tuesday May 14 1996



Protestant marches will severely test negotiations

# Britain hopes to prevent disruption of Ulster talks

The British government may ask a group of churchmen and lawyers to advise the Royal Ulster Constabulary on this year's Protestant marches in an effort to prevent sectarian tension disrupting all-party talks on North-

The idea, which has been promoted by the opposition Labour party, will be seen by Dublin as a significant overture to Sinn Féin and the nationalist community.

Sir Patrick Mayhew, Northern Ireland secretary, yesterday stepped up pressure on the Irish Republican Army to restore its ceasefire - a move that would allow Sinn Féin, its political wing, to enter negotiations due to begin on June 10.

Sir Patrick is expected to use a speech in Beliast on Monday in front of the TIS ambassador to reaffirm Britain's commitment that the talks will deal with substantive issues about the prov-

In the next few days he is also likely to announce that former

Dublin's role in Northern Ireland's affairs.

The UK and Irish governments have yet to decide whether Mr Mitchell - whose report on paramilitary decommissioning last January was well received by all sides - will also head the busi-ness committee. This will guide the talks during the difficult early stages, which could be dominated by the arms issue.

The governments are working on the idea of a "separate mechanism" in the negotiations to deal with decommissioning. The negotiations will face a

severe test when Protestants begin their annual season of marches in July, often through Catholic areas.

Ms Marjorie Mowlam, shadow Northern Ireland secretary, wrote to Sir Patrick in February sug-gesting an independent group to advise the RUC on specific parades. The idea has won backing from the RUC deputy chief constable and church leaders. Speaking in Belfast, Sir Patrick

"with nothing preordained, noth-ing ruled out, nothing ruled in". Mr Mitchel McLaughlin, Sinn Féin chairman, described Sir Patrick's remarks as "very signifi-cant". He added: "If John Major were to give the same reassurances, then I think we would know there is a potential for doing business.

However, the British, Irish and US government continued to received confusing signals about IRA intentions.

Mr Gerry Adams, Sinn Féin president, sought to damp expec-tations of an imminent ceasefire, a day after the party's chief negotiator, Mr Martin McGuinness, raised optimism by saying the IRA was "open to persuasion".

The Clinton administration,

meanwhile, issued two warnings to the IRA. Ms Nancy Sodeberg, a senior presidential aide, called on the IRA to restore the ceasefire it broke in February. Senator Chris Dodds, chairman of the Democratic Party and head of Mr Clinton's re-election campaign, hinted that Mr Adams could be

# Bulgaria decides on severe measures to defend currency

By Theodor Troev in Sofia and Kevin Done in London

Bulgaria yesterday decided on a package of severe measures following a collapse of confidence in the country's currency. The moves include the closure of 67 loss-making companies with the loss of around 29,000 jobs.

The harsh policies are likely to test the popularity of the government, which was forced last week to increase interest rates from 67 per cent to 108 per cent to support the currency, the lev. Most Bulgarians still retain

expectations from the communist era that the state will take care of them. But job losses could reach 60,000 when companies which cannot be closed, such as state railways, are restructured.

terday entered a second week of intense negotiations with officials of the International Monetary Fund and the World Bank, which said yesterday they were encouraged by the willingness to take "difficult" measures.

67 loss-making state companies to close with loss of 29,000 jobs

reforms to rehabilitate the desperately undercapitalised banks, restructure hundreds of heavily loss-making state enterprises and speed the pace of privatisation.

There were still queues yesterday outside banks which had imposed limits on the amount of money they would give to anxious depositors. In spite of statements of government officials that deposits of the population will be guaranteed, necessary leg-islation has not yet been passed.

Many traders of imported nonperishable products are selling goods for hard currency rather than the lev. Some imported disappeared from the shelves amid confusion over how much they now cost.

The controversial policies were discussed at closed meetings of Bulgaria's ruling Socialist party at the weekend, when it was agreed the government must take

extreme measures to restore confidence in the banking system. "It is early yet to claim that the slide of the lev has been definitely reversed," Mr Mileti Mladenov, Central Bank deputy gover-

Mr Zhan Videnov, the Socialist leader, sought to dispel fears that Bulgaria might default on its foreign debt payments of around \$1.2bn this year. While admitting that foreign exchange reserves had shrunk "dangerously", he said it was absurd to think that the country would again seek a moratorium on its debts.

Ominously for the reform proparty members criticised the choice of companies to be closed. and there have been protests at some threatened enterprises. Workers and managers at Bulgar ia's second largest oil refinery held a rally last week asking why their plant should be closed.

### Apple will halve models to halt sales slide

Continued from Page 1

developers, and announced a \$20m fund for co-marketing activities with them. There was also a plan to help smaller developers find venture capital funds. Newton, Apple's failed "per-

Unseasonably cool air will cover the wastern

sonal digital assistant" and its

"home appliance" development efforts would be refocused for use with the Internet, he said. Apple, which has been slow to recognise the significance of the Internet's rapid growth, would introduce a low-cost Internet access terminal later this year, he said. Although there were few sur-

prises in Mr Amelio's presentation, analysts were impressed. In late afternoon trading Apple shares were up % to 27%. Mr Larry Tesler, Apple vice-president of Internet technology, said that by the end of this year all Macintosh products would be Internet ready.

FT WEATHER GUIDE

### LA smog cops seek clean cut in dirty mowers

By Christopher Parkes in Los Angeles

The 1.7m petrol-driven lawnmowers and leaf blowers which daily buzz in the backyards of the Los Angeles region have become the latest target of the

city's smog police.

The fight against pollution has shifted to the garden because a single mower used for 20 hours a year blows out as much smog-producing gas as a new car driven 26,000 miles, according to the South Coast Air Quality

Management District agency.

To encourage a switch to electric appliances or old-fashioned muscle, the agency has announced it will offer "smog credits" to retailers for any petrol-powered garden appliance which they scrap. Smog credits, which are traded

in an open market, are used by businesses to help meet statutory emissions limits. Appliance retailers can now offer their customers cash rebates when they trade in their petrol mowers, and recover the money by scrapping the old

mowers and earning credits.

About 400 Californian companies now have permission to trade in the regional smog credits market, but changes are under way to increase the figure

to 300,000 companies.

The move will complement other business-related measures such as the issue of credits for car pooling, a 1990 ban on the sale of polluting barbecue lighter fluids, and a 1994 credit-related buy-and-scrap programme which has removed an estimated 7,000 "smokers" or pre-1982 cars from

The initiative follows a recent decision to roll back a plan which would have obliged vehicle makers to start selling set quotas of zero-emission cars and trucks in 1998.

Now these will be introduced according to market demand. Power garden tools daily add 22 tons of volatile organic compounds to the air - more than all aircraft flying over the petrol spilt during refuelling)

according to the Air Quality

Management District agency. Agency officials, who say the plan may cull 15 per cent of the area's petrol-powered mowers. have recently focused their efforts on voluntary pollution control schemes following complaints from business and government that over-regulation is one of the main sources of corporate disenchantment with California.

Although Los Angeles is the only metropolitan area in the US officially classified as still suffering from "extreme" smog. atmospheric pollution there is at its lowest in 40 years.

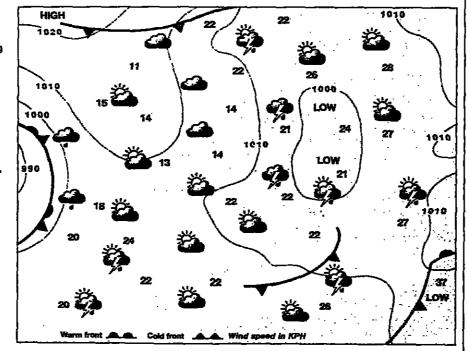
Getty extravaganza, Page

### **Europe today**

part of the continent. The boundary separating cool air in the west from warm air in the east will be nearly stationary from the Balkans towards the Baltic Sea. As a result, heavy thunder showers will occur in the northern Batkans and eastern Poland. Hot and sunny conditions across central Russia and Belarus will boost afternoon temperatures to 30C. Greece and Turkey will turn cooler and unsettled with mountain and coastal show Italy will be partly cloudy but mainly dry. Low cloud will produce drizzle in parts of Germany, north-east France and the Low Countries. Southern Scandinavia will be quite warm but the south-west will have patches of rain.

### Five-day forecast

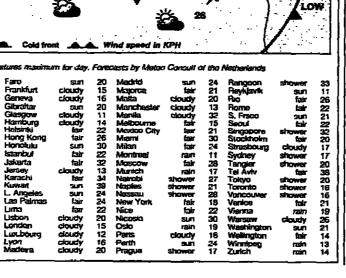
North Sea countries will have increasing sun during the second half of the week. Scandinavia will turn cooler as warm air retreats into eastern Europe, North-western Europe will continue unseasonably cool. eastern Europe will have numerous rain and thunder showers but conditions will improve later in the week. The western Mediterranean will become unsettled.





No global airline has a younger fleet.

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# THE LEX COLUMN Defensive puzzles

Restructuring Europe's defence industry is like solving a Rubik cube. The businesses are split between different countries and companies, just like colours being jumbled up on the different sides of the cube. The ultimate goal is a series of pan-European businesses, each focused on a single speciality such as defence electronics, aerostructures and so forth. But each piece of the puzzle is so elaborately connected to the others that multiple steps, some of which seem to have little to do with reaching the desired result, are needed to solve it.

Look at the latest moves in France. Lagardère's long-discussed missile joint venture with British Aerospace is a logical combination: over time, they will be able to pool research and development spending, streamline product ranges and avoid cutting each other's throats in export markets.

But BAe's involvement in a possible Lagardère bid for Thomson-CSF, the French state-controlled defence electronics giant, has less obvious logic. Why would BAe want to sink large amounts of capital to buy a minority stake in a group which has little syn-ergy with its own? The answer is such an outcome is not an ultimate goal but an intermediate step. The hope would be that a stake would give it leverage to engineer co-operation in areas where there is overlap: missiles, naval command and control systems and systems integration.

From Lagardère's perspective, join-ing forces with BAe adds credibility to its Thomson-CSF bid. Lagardère is too small to buy a group whose market capitalisation is higher than its own. That said, its case would be stronger if it could bring in Britain's General Electric Company as an ally too. Not only does GEC have oodles of cash; the synergies between its Marconi unit and Thomson-CSF are compelling. The snag is that GEC is not willing

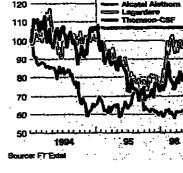
to back Lagardère's bid so long as France's Alcatel Alsthom is still in the race. GEC is already tied to Alcatel via their vast GEC-Alsthom power engineering venture, and so it would be unwilling to upset its partner by backing a rival.

Besides, Alcatel still looks the favourite to bag Thomson-CSF, because it is more willing than Lagardère to take Thomson Multimedia. the indebted consumer electronics group. off the government's hands. All the manoeuvring is incredibly

complex, but it does seem that the Rubik cube is slowly being solved. The snag is that, with US defence companies restructuring at lightning speed, Europe could do with stepping up the

What you see here is just one of many difficult

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**British Gas** 

There will come a time to to put money on British Gas's fortunes turning, but yesterday was not it. To understand the aggressiveness of the regulator's proposals, begin with her starting-point: British Gas's Transco business, her consultants have told her, is no more efficient after 10 years in the private sector than the water and regional electricity companies were at the time they were privatised. Make no mistake. These are proposals designed to force Transco out of what the regulator thinks is cash-rich com-

The problem for investors is that if Transco fails to deliver they will end up taking the pain. Up to a point, they already have - but even after yester-day's fall, it is difficult to see why the shares should not fall further. According to the regulator, the mid-point of her range would leave Transco with average after-tax cash flow of £320m (\$486.40m) over the next five years. Add an optimistic £150m from exploration and production, subtract interest costs of £200m - and halving British Gas's dividend begins to look bullish. Put a halved dividend on to the same yield as, say, the water sector and Transco International is worth around 140p a share - roughly what a discounted cash flow valuation suggests. True, the rest of British Gas is worth something, but not enough to justify the current share price, if the regulator gets her way.

Of course, British Gas has ways out. It could, for instance, continue paying a high dividend, financing investment by borrowing. But in practice, this would amount to borrowing to pay the dividend - irresponsible, even though the balance sheet needs gearing up. Better to get the dividend and the bal-

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at the same time. Alternatively, it can fight I is that the regulator's plans lo lectually robust. British Gas's by contrast, has got off to a bibleating about safety hints at tion, and talk of 10,000 job cuts suggests the regulator's worrie

efficiency have a point.
But all is not lost. The regulator still talking in terms of a wide rang with initial price cuts of between 20. per cent translating into average pos tax, post-interest cash flow of mor-£200m a year at the top end and close to zero at the bottom A result at or above the top would be worth fighting for tooth and nail.

### Montedison

Italy's first glimmers of shareholder activism, have not come a moment too soon. A large investor in the sprant ing conglomerate Montedison has written to the chairman outlining how the holding structure has resulted in dramatic undervaluation.

Undoubtedly, Montedison is a a con pelling target for a break-up. Montedison controls listed businesses in French foods through Eridania Béghin-Say and Italian power via Edison, as well as a profitable chemicals joint venture with Shell and a pharma centicals business. There is no synergy between the parts, and little evidence that head office adds much more than costs. The current sum of the parts amounts to up to 50 per cent more than the share price; and without Montedison's controlling influence Eridania and Edison would attract healthy bid premiums.

Nonetheless, the activists may be barking up the wrong corporate tree. The problem is Montedison is 32 per cent owned by Ferruzzi Finanziaria, and a break-up seems virtually impossible without Ferfin's support. Ferfin fell into the hands of Mediobanca late last year and Mediobanca owns a further 4 per cent of Montedison. The prospect of corporate finance fees and capital gains would sway any other merchant bank, but Mediobanca is likely to be less receptive. As the brains behind the mothballed proper-als for a super-conglomerate through the merger of Gemina, Ferfin and others, it would be an extraordinary volte-face if Mediobanca were to engineer the complete opposite. Nonetheless, minority shareholders deserve full marks for trying.

Additional Lex comment on Bank of Scotland, Page 20

# **Not all Executive**

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